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## CONTENTS:—

Hongkong and its New Governor  
H.E. Sir A. Grantham.  
Past & Future Prosperity of  
Hongkong.  
Industrial Notes.  
Industrial Position in Hongkong.  
Review of the Economic Crisis in  
China.

The Political and Civil War  
Position of China.  
Population Problems in Hongkong.  
Exchange & Financial Markets.  
South China Trade Report.  
Kowloon—Canton Railway.  
Hongkong Stock & Share Market.

Trade Reports.  
Commercial Markets.  
Outlook for Trade with the N.E.I.  
Vegetable Oil Markets.  
Hongkong's Vegetable Oil Trade.  
Shipping Review.  
Shipping Returns of China.

## HONGKONG AND ITS NEW GOVERNOR HIS EXCELLENCY SIR ALEXANDER GRANTHAM.

With the arrival of His Excellency Sir Alexander Grantham as its new Governor Hongkong can settle down to a period of continuity and hard work with the most propitious auguries for the achievement of success as the outpost of the British Commonwealth in the Far East.

In his address of welcome the Hon. Mr. A. Morse stressed the new orientation of Hongkong in its relation to the Dominions and the English speaking peoples of the world most of whom dwell around the shores of the Pacific Ocean. While he emphasised the Colony's concern with urgent domestic needs especially of housing, he pictured Hongkong as occupying a strategic position at the cross roads of the Far East and as the natural focus for commerce and communication, advantages which should be utilised to the full. In order to fulfil its destiny in the future Hongkong must be provided with a new aerodrome capable of accommodating the modern air fleets of all nations whose routes converge upon its harbour. The Colony is a comparative oasis of peace and good order in a turbulent world and in the midst of young aspirants to national independence who are struggling to achieve a new order on democratic principles inspired from the West. Hongkong by its

very advantages has a heavy responsibility for providing in the Colony itself a political, social and cultural organisation which will serve as an example to its neighbours. The Colony had been eagerly looking forward to the rehabilitation of its university with the hope and expectation that there may be built under its aegis a real centre for the radiation throughout China and the Western Pacific of all that is best in our political and cultural heritage. Mr. Morse assured His Excellency of the sincere and full cooperation of the whole community in the task before him and particularly in the implementation of the great constitutional changes that had been announced on the eve of his arrival which constituted a great experiment which would inevitably have a tremendous effect on the future of the Colony.

His Excellency in his reply referring to the offer of co-operation said "I gladly accept that offer. Without your help I can do nothing. So my concluding words are—'Let us go forward together to make a shining example of Hongkong by showing what work and co-operation can achieve.'

From a realistic and practical viewpoint the keynote of Sir Alexander's message to Hongkong was his exhortation to the

Colony to rely upon its own resources and strength. "Though we should," he said "regard our problems in their proper world setting, it is our own house that we have got to put in order. It is no good our trying to solve other people's problems—that is beyond our strength. We must concentrate on our own problems and we must help ourselves. By doing that we shall of course relieve to some extent the United Kingdom from the burden that she bears."

In His Excellency's words there lie a fundamental truth which must without any possibility of misconception be realised by all members of the British Commonwealth. While our bonds in our integration within the Commonwealth are ever tightening, our capacity must increase to rely upon our own resources without trenching upon the straitened means of the island home of Britain.

In this post war world in which the peace and security depend upon the trinity of powers America, the Soviet Union and Britain, the strength of the British leg of the tripod depends upon the close grouping of the Dominions and the Colonies within the Commonwealth itself. But we are no longer living in the nineteenth century when Great Britain with its industrial strength and

unbeatable navy threw a protective ring around her dependencies. Britain has poured out its resources in defence of freedom; it has immense responsibilities in foreign countries—in Palestine, Germany, Greece and elsewhere. Imperial policy within the Commonwealth has welcomed and aided movements towards autonomy and self government. These movements in themselves have engendered great responsibilities and grave dangers. The task of guiding them has been a heavy one for the mother country and financially she is no longer in a position to bear the burden. The success of the whole Commonwealth policy in the future depends upon the intensification of the integration within the same union of those parts which are autonomous or reaching towards self government and the pooling of their separate and individual resources.

The residents of Hongkong generally have but a faint notion of their financial debt or dependence upon the home country. The civic consciousness and responsibility of the community would be greatly helped and roused to activity if the position could be made known. The feeling of resentment which sometimes is expressed at the suspicion of dictation from Downing Street in local affairs is incompatible with dependence under the old tradition of hegemony. The acceptance of financial assistance, loans and development grants implies a measure of sanction in the form of controls; it also implies that the Secretary of State should satisfy himself that the development of a Colony conforms with the policy of the Home Government. It may happen that such policy is to a greater or less extent actuated by a desire to apply doctrinaire or political theories. Trade Union legislation of one kind or another has recently been enacted in a number of dependencies but has been opposed by certain Colonial Governments as premature and unwise in the local circumstances. Hongkong has lively reasons to apprehend the dangers of trying to graft a British Trade Union on to the tangled growth which is ineradicable in the soil of China and the East. It is

## PAST AND FUTURE PROGRESS OF HONGKONG

The new Governor of Hongkong, His Excellency Sir Alexander Grantham, arrived in the Colony on July 27 at which occasion the Hon. Mr. A. Morse, in the Address of Welcome, outlined the problems facing Hongkong and indicated the important role which this Colony is going to play in the future.

The Address by the Hon. Mr.

far more important, indeed essential to purify the existing native unions, to rid them of their triad and tong cells, and to free them from the stranglehold of rival and conflicting political pressure applied from the mainland.

It is noticeable that those whose cries are loudest against supposed injustice and in support of their pretensions to fairness are those who are most averse to shouldering their full responsibility for the self subsistence of the Colony. It ill becomes the opponents of a tax on the earnings and profits of the Colony to resent a control of its political development. If public opinion is to have its effect it must be that of a Colony that can and does help itself.

The Governor of a Colony is in a difficult position. He has the double duty, towards the Secretary of State whose directions he must obey, and towards public opinion without the general concurrence of which it is impossible to govern. But that public opinion must be just and well-informed and it must spring from a public that can claim to be doing its duty to help itself to deserve a hearing. Without such a body of public opinion a bare unofficial majority in the Legislative Council cannot have full effect nor can a Municipal Council gain enough weight and momentum to achieve the end in view of giving the residents a greater share in the management of their own affairs.

A. Morse is herewith reproduced in part:—

Many of our problems are still with us, but the upheaval of war, the tremors of which have not yet subsided, and the new orientation of outlook for Hongkong have produced important and urgent issues for the Colony's future. The war has swung the centre of gravity of world events to the Pacific, around whose shores are ranged most of the Commonwealth Dominions and the bulk of the English-speaking peoples of the world.

In the Western Pacific Hongkong occupies a strategic position at the cross-roads of the Far East; it is the natural focus for commerce and communication; and if it is to fulfil its destiny it must develop its natural potentialities and facilities to meet the demands of the future. The unique advantages it already possesses in its geographical position and excellent harbour are in danger of being gravely discounted by the absence of an adequate and convenient airfield, and it is considered that the provision of a new aerodrome capable of accommodating the modern air fleets of all nations that converge upon it is one of the most vital questions of a long term policy which calls for urgent action by the Home Government in conjunction with our local authorities.

The Colony is a comparative oasis of peace and good order in this part of the world which, from Japan to Indonesia, is striving to build up from the welter of war new societies on democratic principles inherited from the West. The great Republic of China, with its ancient culture, as well as young aspirants to national independence, are struggling to achieve a new order in their respective territories. Hongkong by its very advantages has a heavy responsibility for providing in the Colony itself a political, social and cultural organisation which will serve as an example to its neighbours.

In the matter of political development we have now received the long-awaited announcement of the Secretary of State for the Colonies as to the form of the constitutional changes which had been foreshadowed by the Government with a view to giving the residents a greater share in the management of their own affairs. The community is fully alive to the heavy responsibilities entailed by these changes and realises that their ultimate success depends upon the wholehearted collaboration of the Government and residents in the shaping and the wise application of the proposed measures to the particular needs and conditions of the Colony.

As a necessary complement to these constitutional plans, the Colony has been eagerly looking forward to the rehabilitation of its University, with the hope and expectation that there may be built up under its aegis a real centre for the radiation throughout China and the Western Pacific of all that is best in our political and cultural heritage.

We realise to the full the importance of the Colony's external relations and of a domestic long-term policy for the future of Hongkong. Our thoughts, however, are naturally dominated by our immediate needs and by the necessity of completing the rehabilitation of life in the Colony. Amazing progress has been made under the wise and able administrators with whom the Colony has been blest since its liberation, but the problems of the high cost of living, of transport and of education, and above all of housing, are serious and of urgent importance. Indeed, the inadequacy of housing is causing inconceivable hardship to the mass of the population and may have dire effect upon the health and economic life of the community. It is with a deep sense of the real seriousness of the need that we urge upon the Government the immediate necessity of alleviating the position by a vigorous housing scheme of its own and by the utilisation to the full of the assistance and available resources of private enterprise.

## INDUSTRIAL POSITION IN HONGKONG

By the end of June 30, 1947 an estimated total of 65,000 men and women were employed in local industrial establishments, about 53,000 of whom worked in Govt-registered factories and workshops. The total number of registered factories and workshops in the Colony by the end of June was 704, while 1,080 industrial establishments had applied by that date for registration with the Labour Office. The number of unregistered factories and workshops, most of which are not required to register as they either do not employ over 20 labourers or have no mechanical equipment installed, is estimated here to exceed 1,000. Hundreds of native workshops, which would qualify in China as industries, cannot be registered here as their operations do not conform to the requirements of the Factories & Workshops Ordinance, 1937.

### Difficulties of Manufacturers

Most manufacturers complain about three factors which combine to depress exports: High cost of labour, insufficient and irregular arrivals of industrial raw materials, lack of modern equipment in most factories. In addition, the virtual import embargo enforced by the Chinese Govt as after Nov. 17, 1946, has reduced local exports.

The Chinese manufacturers are hard hit by China's import restrictions and they claim that, being overseas Chinese, the Govt in Nanking should have considered their special position and exempted, at least to a large extent, the Hongkong Chinese industries from the severe restrictions on imports into China. This claim is often heard by overseas Chinese in other parts of the Far East who believe that the Chinese Govt's duty is to assist them in their business with China. Without entering into the debate as regards the legal merits of such claims and indeed their logical or illogical basis, we only record that it is the overseas Chinese industrialists who find most faults with the virtual import embargo of the Chinese Govt.

The future of the Colony, on the threshold of the second century of its history, its external rôle in the integration of the British Commonwealth and in the world generally, and its imperative domestic needs are issues which clearly emerge in the short interval since the liberation and now are left as tasks weighty but immense in their potentialities, to the Government over which H. E. Sir Alexander Grantham will preside.

## INDUSTRIAL NOTES

### Far Eastern Buyers

The local Chinese manufacturers have been turning since the end of last year with keener interest to Far Eastern and Pacific markets; conditions in China generally have been so distressing and proved to be beyond repair for a long time to come that the much advertised post-war China market had better be forgotten. On the other hand, demand for local industrial products in Malaya, Siam, Philippines, the Netherlands Indies, India, and even in the U.K., the U.S., Africa and Pacific Islands has been on the increase. The abnormally high production costs under which local industries are compelled to work are responsible for the rather small volume of orders from abroad; demand is there and the quality of our goods are usually acknowledged but the prices are not competitive in many instances.

### Labour Costs & Efficiency

On the whole labour costs are about six times higher than before the war which fact alone explains the difficulty of local factories producing for exports. In the case of rubber shoes (see below) the local product is about 100 percent dearer than shoes made in Britain where previously a very large quantity of our shoes was shipped. Preserved ginger, jams, electric batteries and flashlights, knitted and made up cotton and mixed textiles, etc. find overseas markets a very stiff production position on account of excessive production costs in Hongkong and an insignificant or no profit margin at all.

The introduction of labour saving devices, the purchase of more modern machinery, training of better skilled workers and generally improved efficiency on the part of Chinese labour would, even in the absence of a speedier reduction in cost of living and subsequently cost of labour, help to a large extent to make local industrial products more competitive in foreign markets.

### Trade Mission for Abroad

The Chinese Manufacturers Union, an employers organisation comprising most of the Chinese manufacturers in Hongkong, has recently studied the problem of expansion of markets for local products and finally organised a Trade Mission. This Mission is soon to leave the Colony bound for Singapore, Bangkok, Batavia and several other Far Eastern commercial places. It is planned also to visit, in giving effect to the resolutions of the Union to expand exports, some Pacific Islands such as Fiji, East and West Africa, the United Kingdom and Near Eastern countries. Whatever actually happens to all these plans, and how successful they may turn out to be in the end, it is reassuring to see

that there are many enterprising local industrialists who have correctly realised that Hongkong's industrial future is largely determined by conditions in Far Eastern markets.

#### Japanese Competition

The future sales pressure of Japanese goods particularly in the Far East is anxiously studied by local manufacturers. Many find cause for despair in the quick come-back which Japan's export industries were recently staging and which seem, under planned guidance of the U.S., to gain momentum.

Like so many shortsighted manufacturers in China, scared by the efficiency of Japanese production and conscious of their own sad shortcomings, many local Chinese factory owners believe that Japan should be "restrained." Instead of improving themselves and giving the public better service and better goods, the competition from Japan is to be nipped in the bud.

Such suggestions are contrary to the interest of the public at large who welcome competition, domestic and foreign, and demand the best possible quality for their money. The future Japanese competition, apart from the urgent necessity of meeting the demands for hundreds of commodities in Far Eastern countries, will not extinguish any local manufacture but will only tend to quicken the tempo of all-round industrial improvement of which so much is talked about and so little is done.

#### THE RUBBER INDUSTRY

The rather difficult conditions in this industry have been pointed out in recent reports on the industrial position in Hongkong (previous reviews were published in our issues of March 12, p. 136, and Feb. 19, p. 96). The importance of the rubber shoes factories is best illustrated by the fact that before the war over 10 million pairs of rubber canvas shoes were exported to the U.K. alone and millions of pairs were regularly shipped to Malaya, Netherlands Indies, Siam and elsewhere. Some 17,000 workers found employment in these factories prior to 1942.

The Chinese ban on rubber shoes imports and the high prices ruling here which make exports to both Far Eastern and European markets very difficult have reduced the operations of all factories so that at present only about 3,000 to 4,000 workers are employed. High cost of labour, the standing complaint of all industrialists in Hongkong, is the stumbling block for the rehabilitation of this industry. An unskilled workman is paid \$4 a day, and skilled labourers draw up to \$7.

The supply of raw materials for the rubber shoes factories has been satisfactory, mainly on account of successful efforts made by Government (Dept. S. T. & L) for the pur-

chase abroad of rubber and canvas (or cotton yarn for the manufacture of canvas). Malayan rubber and U.S. or Indian canvas were amply available and so was Japanese yarn which was used for the manufacture of canvas in local mills. Such canvas however sold at a lower price than the imported varieties; a dozen of shoes made with imported canvas sold at around \$28, while a dozen made with locally produced canvas (from Japanese cotton yarn) fetched only \$19/20.

At present about 30 rubber shoes factories are established in the Colony of which only some 15 are operating. Six or seven factories have removed their equipment to Canton where they produce at lower cost, at least for the time being, and where they have obtained larger orders for the China market. The larger rubber factories here are all operating although at reduced capacity. Three factories, however, secured orders from the Chinese army which kept them busy for several months past; these 3 factories turned out during the first six months of 1947 over 1½ million pairs. Total output of the other local factories is currently about 100 to 120,000 pairs of shoes per month, against 400/500,000 pairs per month during the first part of 1946.

The recent drop in rubber prices has slightly helped to get some export orders for locally produced rubber shoes. The manufacturers calculated in prewar days costs as follows: rubber and chemicals about 1/3, canvas and lining 1/3, and salaries and wages 1/3 of total production costs. Today labour costs are the major item and as long as they cannot be reduced very substantially the price decreases for rubber and canvas imports will not change the picture for the better.

On all markets Hongkong manufacturers encounter increasing American competition. New markets are continually being explored and far-away countries have been contacted and a number of orders have been obtained which, if there would not always lurk the menace of undercutting of prices by U.S. exporters, should give rise to some optimism by local manufacturers.

On the other hand, there has been shown some interest by American importers for local rubber shoes, and a fair number of trial orders have been given. Some local rubber manufacturers and exporters believe that regular orders from the U.S. will be obtained provided that the American market gets acquainted with the high quality of the local product.

Other output of the local rubber industry comprise bicycle tires, toy articles, medical supplies, sanitary goods. The bicycle tire output is restricted mostly to the local market, two local factories being engaged in this line as against 10 during last year. About 1,000 tires are produced per day.

While Hongkong is usually accused of harbouring smugglers who bring imported goods from here into China, the local rubber industry has a very good cause to claim that Chinese smuggling of Chinese made rubber shoes from Canton into Hongkong is doing much harm to their interests. Impotent as the Chinese preventive service appears to be, this smuggling of Chinese rubber shoes into the Colony has been going on for some time without any hope for its being stopped.

The Govt-controlled price of rubber shoes (plain Oxford) is still \$39.20 per dozen, a price which has long ago been abandoned by the local trade; the shoes produced with canvas made in local mills sells about 50 percent under the official price.

Although quite a few manufacturers are disappointed about their inability to export, or to export more than they can effect at present, the outlook is not discouraging at all. Foreign markets will, if properly acquainted with the local products by experienced exporters, place an adequate amount of orders here and when comparing the quality produced in Hongkong with shoes offered from other manufacturers may decide in favour of the local rubber canvas shoe. But the industry can only celebrate the return of prosperity if the British buyer will once again place his orders here which of course depends on the price offered by local exporters and the ceiling fixed by the Board of Trade, London.

#### THE MATCH INDUSTRY IN HONGKONG AND MACAO

Before the war, especially during the period 1939/1941, local and Macao match factories coined money. Demand for matches could not be filled by European and Japanese factories as far as the Far East was concerned, and consequently local products found very eager and very well paying customers. All match manufacturers tried their best to increase their output but they could not cope with the persistent demand from Far Eastern buyers. After the occupation of Hongkong, the factories in Macao continued to operate at capacity and making very high profits.

After the conclusion of hostilities, Hongkong factories resumed their output and had a good time for the better part of 1946 until the arrival of American and Swedish matches which came with a vengeance.

There are two match factories operating now in Hongkong:—The Hongkong Match Factory, established in 1939, capitalised at \$100,000; and the Great China Match Co., also established in 1939, with a capital of \$10,000. In Macao are at present

three factories operating, viz.—Tai Kwong Match Co., established in 1914, with a capital of Chinese \$200,000; Chong Ming Match Co. established 1928, capital Chinese \$500,000; and Tung Hing Match Co., established 1912, with a capital of Ch. \$550,000.

The export markets for Hongkong & Macao matches are: Malaya, Netherlands Indies, Siam, Indochina, Burma, India, Philippines, North Borneo, South Africa. About 80 percent of all exports go regularly to British Malaya. The two Hongkong factories produce about 30 to 40 percent less than before the war. The competition of US and Swedish matches had its effect, however, the local and Macao match factories are still enjoying rather prosperous conditions.

The current average price is \$200 per box (over 600,000 matches), about 2 to 3 times the pre-war price. The relatively high cost of production here is narrowing export markets for locally manufactured matches.

It is the old theme: if labour costs could be reduced, which pre-supposes the all-round reduction of food, housing and communications, export market would be opened or re-opened. There is of course another alternative which we offer with all diffidence: imported matches should be taxed both here and in those Far Eastern markets where US and Swedish competition has become too stiff.

## FLASHLIGHT INDUSTRY.

Before the war one of Hongkong's leading industries, flashlight manufacturing is back on its feet today, with 75% of its pre-war output barely sufficient to meet the demand of its old markets.

The biggest local factory, manufacturers of the brand 'Eveready', produces 800 torchlights per day as compared to 1000 before the war. Working 99% for export, this factory has recaptured most of its old markets, the best of which are in United Kingdom, Africa, Australia, New Zealand and India, and granted a better supply of raw materials, would quickly expand business beyond its pre-war scope. However, even at present no complaint could be made regarding the supply of two main items—brass and chemicals—considering their shortage in England, Canada and United States wherefrom they are imported.

Prices for the finished product are now 100% over pre-war, a dozen of flashlights being sold for \$40 which may be considered very low seeing that labour in this particular industry is being paid 8-10 times their pre-war wages.

The total number of workers employed in all flashlight factories in Hongkong is about 4,000; 1,000 being employed in one factory alone. Other local factories are smaller in scope

and usually are working at half of their pre-war capacity. Most of them were forced to use tin instead of brass due to the difficulty of getting supplies and with a view to cutting down the cost. If it were possible to reduce labour costs all factories could increase their output. The demand for export is now exceeding supply, and this position will continue.

## THE PAINT INDUSTRY

There are 5 paint-manufacturing companies operating at present in Hongkong which produce the following kinds of paint:

OIL PAINTS (1) paste paint—(2) enamel paint—(3) ready mixed paint.

LACQUER and Lacquer paint.

One paint company in addition produces printing ink, but its output is only 300 lbs. per day as compared with the output of paint which is 5 tons per day.

The smooth working of this industry can be largely attributed to the regular supply of raw materials needed for production which the companies concerned succeeded in arranging through a joint effort. These raw materials are:—

China wood oil—linseed oil—turpentine—white zinc—white lead—red lead—colours—and rosin.

While most of these materials are imported from China, colours, white zinc and lead come from Europe and United States. An experiment was recently made in substituting natural rosin by its synthetic counterpart, and it proved successful, for the latter is easier to handle and is purer in quality.

The output of paint is consumed at the ratio:—50% for export and 50% for local market. Export is mainly directed to Malaya, Bangkok, South Africa and Manila. Demand for Hongkong-made paints is very good in all the above mentioned countries which is mainly due to the world shortage of paints. England, which formerly nearly monopolized all markets, is now producing only from 10 to 20% of her pre-war quantities. America is slowly getting back to normal and lately her prices dropped by 20% which, however, did not affect the local industry, as they registered a simultaneous drop of 20%.

Prices for paint at present are only 100% higher than before the war which is mainly due to keen competition and not the cheapness of raw materials.

The total number of workers employed in all paint-factories is only about 230. Wages paid are 6-7 times pre-war, and overhead expenses considerably burden the cost of production. Transportation cost is another item considered exorbitant by the factory-owners.

Speaking of opportunities of exports to China, a leading Chinese paint manufacturer said: "Import restrictions, import duties and exchange regulations are merely expressions of general confusion reigning in China today and they militate so effectively against trade that most local manufacturers have resigned themselves to the fact that China at present must be regarded as a dead customer."

## THE TEXTILE INDUSTRY

Hongkong's textile industry, pre-war employer of some 70,000 labourers, whose strength is well expressed by the fact that the Chinese Textile Mills Association comprises 380 members engaged in various ramifications of textile manufacturing, is at present not enjoying prosperity.

The postwar revival of the industry, following the distribution of Japanese yarn by Government as from January reactivated some weaving factories.

Of all the local textile mills like weaving, knitting, hosiery-making etc., the weaving factories are doing alright due to the fact that British Malaya, formerly a large market for all Hongkong-made textiles, is still open for local woven cloth while elsewhere our mills are undersold by cheap American goods.

One of the leading knitted goods manufacturers in the Colony, whose pre-war production reached 800 dozens different underwear a day with 350 workers employed, today produces about 10% of their normal output. One of the biggest local weaving mills is now only working at 20% of full capacity. Formerly giving work to 700 workers at present it engages only 250, and even that is due to the fact that the factory started making canvas for the local rubber shoe factories—a new venture introduced by Government.

The main causes of the present textile industry's slackness are the high costs of raw materials, labour and electricity. All pre-war markets where local textiles had brisk sale like in the Philippines, Malaya, Java, Siam, Burma, South, East and West Africa, Cyprus, British West Indies and British Guiana, find now Hongkong textiles too expensive.

The competition of cheaper American goods is even felt in the local market where some American vests if Hongkong cost only \$22.50 per dozen as compared to \$30, the selling price of local vests.

In order to lower production costs, many mill-owners are placing orders abroad for modern machinery, thus hoping to cut down on labour costs. However, these orders take from 6 months to a year to be executed. The main problem—high prices of raw materials—remains to be solved as well.

## REVIEW OF THE ECONOMIC CRISIS IN CHINA

### SUGGESTIONS FOR IMPROVEMENT OF CHINA'S FINANCE, COMMERCE AND INDUSTRY

The economy of China is fundamentally disturbed and general conditions continue to deteriorate. The impoverishment of the nation progresses although a relative handful of corrupt officials, financial adventurers, a good number of the military higher-ups and people with the right family or political connections reap a golden harvest in the hour of the people's great distress.

The problem of the rehabilitation of China's commerce, industry and communications

One modern factory for instance are already possessors of up-to-date equipment which cost them \$500,000, and yet their knitting department is working at a fraction of capacity.

The cost of Japanese yarn (20 counts) at present is \$3.75 per lb. exactly 3 times what it was pre-war, and its quality is inferior to Indian and Egyptian yarn which local mills used before. Due to the fact that neither Egypt nor India are able to export yarn and that exports from America are Government controlled, Hongkong Government helped to buy mainly Japanese and some Shanghai cotton yarn. The latter's cost is \$2.50 per lb. cif Hongkong and its quality is quite good but it is impossible to import it in sufficient quantities.

Had it been possible to obtain yarn at only \$3 per lb., it would have set local mills going. Big orders are waiting in all parts of the world. A British textile industrialist recently paid a visit here exploring possibilities of renewal of trade with Hongkong's textile industry, however, as long as present cost of production remains as it is, export opportunities will be few.

China as a market for Hongkong-made textiles is virtually non-existent due to import controls and the fact that labour is cheaper in China. Shanghai-made goods are even underselling local production, the cost of a Shanghai-made towel, for instance, being equal to that of yarn alone in Hongkong. This condition may change quickly if the Chinese exchange rate will be altered from its present artificial level.

Some manufacturers place hope in the fact that a big cotton spinning mill will shortly begin operating in Kowloon, having taken over the workshops of a large local concern. This may somewhat lower the local cost of cotton yarn.

is studied with thoroughness by many celebrated European, American and Chinese economists; however, without the termination of the civil war and subsequent political peace in the country, the Chinese people face a grim and dismal future.

In his quest of "How to Avert Disaster" in China, Dr. H. D. Fong wrote the following review which has been translated by the Bureau de Documentation (Economie Chinoise) of the University L'Aurore, Shanghai. Dr. Fong is assistant director of the China Institute of Economics and a noted scholar whose views are shared by the majority of China's economists. In our issue of June 4, pp. 70/72, an article by Dr. Fong on "Transfer of Chinese Govt. owned Industries to Private Enterprise" was published.

#### 1.—ECONOMIC CRISIS

During the eight years of defensive war, the Chinese Government through unreasonable financial measures, laid the burden of war expenses on the middle and poorer strata of society, and thus lowered to the utmost degree the living standard of the whole nation. When the war was concluded, the people could and should have enjoyed some rest. Unfortunately, the disorderly and tardy process of rehabilitation prolonged their distress, and civil strife which soon followed has further imperilled the national finance. Losing all chance for revival, the economy of the country has been moving towards collapse.

#### 1.—The crucial position of the middle classes.

Although the very essence of war is its wholesale toll of life and wealth, its consequences to the national economy may be widely divergent when different financial measures are taken by the State. A wise government always abides by the principle that "the wealthy should contribute wealth, while the workers should give their work." Therefore, taxation and the floating of public bonds are the principal ways to meet war expenses; note issue can only be a subordinate means. The Chinese Government however has relied mainly on note issue and has neglected taxes and public bonds. The marked difference between the two policies is that the former makes wealthy men pay whereas the latter gives them a chance to make money.

In the last decade, the increase of note issue in China has been tremendous. CN\$ circulating before July 1937, amounted only to CN\$1,400,000,000. By the end of 1946, after 8 years of hostilities, it came up to CN\$1,000 billion. The circulation augmented sharply in 1946 and touched the mark of CN\$4,000 billion. By the end of April this year, it had jumped to CN\$7,000 billion. Such a monetary inflation has caused violent soaring of commodity prices. When people foresee the continual upward trend of prices, they buy goods and get rid of their paper money as soon as possible. This acceleration of the circulation of currency notes is a tremendous stimulus to the rise in prices. This is the reason why in the past few years the commodity prices have multiplied much more rapidly than the increase of note issue. For instance, at the end of the year 1946, the Chinese currency notes in circulation had increased by 2,900 times as compared with their total amount in 1937, while the price index in Shanghai had risen by 8,000 times during the same interval; the ratio was 3 to 8. The increase of note issue up to the end of April this year was 5,000 times while the Shanghai price index (up to April 28th) had gone up by 28,000 times; the ratio was 5 to 28.

The race between note issue and prices contributes to a redistribution of national income. The wealth of the people, while gradually diminishing, has been more and more centralised in the hands of a few. For the effects of the monetary inflation are very similar to those of poll taxes which bear on the rich and the poor alike. The richer people are, the lighter becomes the actual burden. Furthermore, the wealthy can avail themselves of the great fluctuations of prices by speculating and hoarding, making large sums of money. The policies concerning loans, gold and foreign exchange hitherto adopted by the Chinese Government, have also been favourable to capitalists.

The other phase of the inflation has been the decadence of the middle class of society. This class includes government officials, teachers, school staffs and some members of the liberal professions. In most cases, their income is fixed. Though since 1937 some allowances have been given them by the Government, the amount has been rather meagre. The middle classes give a society its stability and play an important part in its control. Their decadence is a forecast of the moral decadence of the whole society.

#### 2. The situation of agriculture

China is an agricultural country, and her economic strength is derived from the rural population. War has involved great losses to the agriculture of China:

(a) The recruitment of soldiers from the rural population has diminished the disponibility of manpower in the countryside. The cost of labour and consequently that of production has thus been raised. Broadly speaking, the rise in wages of rural workers during the war has exceeded the average rise in the prices of agricultural products.

(b) The price indices of foodstuffs have been relatively higher than those of other agricultural products. But, since 1941, all land taxes have to be paid in the form of foodstuffs. The Government also often purchases foodstuffs from the farmers or collects land taxes many years in advance.

(c) Many cattle have been requisitioned, wounded or butchered. The remnant have become very precious and costly, and sometimes are hardly to be found on the market. This lowers agricultural productivity.

War is devastating the countryside. Many rural villages in the North of Kiangsu have been completely ruined by fights between Nationalists and Communists. At present, battles are raging over 105 districts in Shansi. The spring ploughing has been rendered impossible. The dykes of the Yellow River in Honan was blasted during the war and immense areas flooded with great loss of animals. Where farmers can produce anything, disrupted communications make it difficult to sell. It is said that soybeans are used as fuel in the North-Eastern provinces, just because they cannot be transported to other places.

As a result of currency inflation, all commodity prices have been soaring; yet the prices of agricultural products usually lag behind and this has lowered the purchasing power of the farmers. The Central Agricultural Experimental Office has figured out the index numbers of the purchasing power of the farmer of Szechuan, basing its computation on the prices of agricultural products (farmers' income) and prices of agricultural implements (farmers' expenses). According to these index numbers, from the outbreak of the war up to the second half of the year 1940, the farmers' purchasing power had dropped down below the standard of 1937. In 1941, it showed signs of improvement. But from 1942 onwards it has again dropped steadily.

### 3. Industry and commerce

Since the outbreak of the war, Government enterprises have greatly expanded much to the detriment of privately-managed business. The fundamental industries and trades of this country had always been situated along the coastal areas. When the Japanese occupied those areas, they looted all kinds of material to support their war, and industries and trades were the first victims. After the victory most industries taken over by the Chinese Government, were national. The China Textile Development Corporation, the China Silk Corporation, the China

Tobacco, the China Sugar were successively established. Though these are said to be operated by the Government, many of them are actually in the hands of some privileged groups.

The connection with this matter let us quote a remark of Mr Fu Meng-chen in his article "Why the Capital of Privileged Families should be sequestered?" published in the "Observers" (Kuan Ch'a) of March 1st, 1947:

"When it is a question of nationalisation, one naturally thinks first of public utilities. Yet, many of these are owned by the 'Soongs'. At present, apart from a few in the North of Hopei which have been taken by the National Resources Commission, none of the power companies in this country are being operated by the Government. The Power Plants at Ch'ishuie and in Nanking, and the Chichi Water and Power Company of Wuchang and Hankow are all being run by the Yangtze Electric Company which is owned by the Development Banking Corporation. The family name of that banking corporation is known to everyone."

The privileged groups who possess political prestige, are enjoying facilities of all sorts. They are the first to obtain low interest loans when any such are given by Government banks, and the amounts they get are usually large. When foreign exchange is not allotted to any other enterprises, it is allotted to theirs without difficulty. Communications are equally at their disposal.

On their part, enterprises operated by ordinary private interests, not being able to obtain foreign exchange, find no way of importing raw materials and machinery. Hindered by difficulties in transportation, private manufacturers and traders cannot dispose of their goods. Taxes also bear heavily on them and the price control exerted by the Government leaves only a very narrow margin of profit which is often eaten up by high wages. Private enterprises are therefore on the verge of collapse.

### 4. Foreign trade and exchange

In the past, the foreign exchange policies of the Government have been very unstable. The official exchange rate has been far removed from the natural level and varies often. Consequently, exporters find it difficult to figure out their costs of production. As the official exchange rate of the Chinese dollar has been artificially maintained at an abnormally high level, exports from China are entirely incapable of competing with foreign products on the world market. The amount of exportation has therefore dropped sharply. For instance, the annual exportation of tea before the war exceeded one million tan (one tan equals 60.479 kgs); the quantity exported in 1946 represented less than 10% of the above figure. The exportation of silk and other articles was also very limited.

Though in February this year the official foreign exchange rate was raised from CN\$3.350 to CN\$12,000 against US\$1, this measure was ineffective, for a general soaring of commodity prices in this country which occurred simultaneously, added again to the cost of production of articles for export. During the week preceding the promulgation of the new exchange rate, commodity prices had already increased by 50%. Recently, we have been witnessing an average weekly rise of 15% in prices. Considered individually, the prices of some articles have been augmenting by 30 to 40% every week. Importers are also experiencing hardship. The amount of foreign exchange at the disposal of the Chinese Government is being exhausted. Applications for foreign exchange generally remain unanswered. Even if small amounts can be secured for importing necessities, the obnoxious procedure for application and the low efficiency of the administration are really discouraging. Often six months or a year elapse before the imported goods can arrive.

The prosperity of normal industries and trades rests on the stabilisation of economic conditions, the recovery of communications and transportation, the resumption of information services and the possibility for businessmen to estimate prospects and plan for the future. In the present chaos, trading has been made preferable to manufacturing enterprises and again speculation has become more profitable than trading. Huge amounts of floating capital are being invested in speculations and hoarding. Before the enforcement of the economic emergency measures in February this year, the people used to hunt after gold and greenbacks; since the enforcement, commodities and share certificates have taken their place. As speculation and hoarding are not productive, wealth is becoming less and less every day. Instead of enforcing a rationing system and facilitating transportation of goods so as to stabilise market prices, the Government has confined itself to high handed measures. It has meddled with the activities of the market and caused great disturbances to normal business. On the contrary, black markets have become active. As activities on the black market are illegal and run certain risks, prices there are particularly high. Thus, the governmental price administration has only served to raise the general price level still further.

### 5. Private banking

Finally, let us consider the situation of the banking business:—Before the war, commercial banks and native banks in China had already been developed to considerable extent. During the hostilities, the Government used to raise funds through Government banks, bringing them into closer relation with its own finance. The Government could also directly order the Government banks and the Public Treasury to

arrange productive loans. As the Government banks gradually developed, commercial banks lost their importance. In prewar years, the main business of commercial banks was the reception of deposits and the granting of loans. At that time, the total deposits lodged in commercial banks all over the country approximated to CN\$350,000,000. At present deposits placed with commercial banks in Shanghai are not more than CN\$600 billion. If we estimate the aggregate sum of deposits placed in "underground banks" in the city and cash in the hands of its population at  $1\frac{1}{2}$  times the above figure, the grand total will be CN\$1,500 billion only. The total deposits of commercial banks and underground banks in the whole country may be estimated at less than CN\$3,000 billion. If we consider the average nationwide index number of commodity prices, this figure corresponds to merely 150,000,000 prewar Chinese dollars, representing only  $1/3$  to  $1/2$  of the prewar total deposits. Furthermore, before the war, most deposits were of fixed term. Commercial banks could invest them in productive enterprises. At present, more than 90% of the deposits are in current accounts and commercial banks are not in a position to make use of them in any regular way.

## II.—SUGGESTED REMEDIES

As may be seen from the above account, the crisis of China has been caused by war devastations on the one hand, and unreasonable economic and financial measures of the Government on the other. These two causes must therefore be remedied if we are to find a way of escape from financial disaster.

### 1. Political means

A rapid SETTLEMENT must be reached in the NATIONALIST-COMMUNIST DISPUTE: In their recent speeches concerning the political policies of the Government, Generalissimo Chiang Kai-shek and Premier Chang Chun have both mentioned the Communist problem, reiterating their desire to settle it through peaceful means.

That is a good attitude to maintain, since in fact, no military steps can settle the question. We hope that the Government will bear in mind the welfare of the nation and cease all fighting. Of course, the Communists have also their part of responsibility. If they want to obtain political prestige and propagate their political ideals, they can very well use propaganda and actual examples to win the confidence of the people. No military action is needed. Recently, under very critical circumstances, the Youth Party and the Democratic-Socialist Party have joined the Government. We hope that this participation in the Government has been carried out with the aim of solving the present civil strife. We further hope that these two parties will make themselves a

centralising force, uniting with the third party, leading the politics of the country along a democratic path, accepting the opinions of the people and settling as quickly as possible the National-Communist strife.

ADMINISTRATIVE EFFICIENCY should be raised: The present general lowering of administrative efficiency has been one of the great political crisis in this country. The situation has reached such a point that hardly any administrative order can be put into force. As a matter of fact, the blame is not to be cast on public functionaries. Generally speaking, their present salary is less than  $1/10$  of what it was in the pre-war period. Such a small income is barely sufficient to support the functionary himself and if he has a wife and children, they will have to starve. How then can one expect public servants to work whole-heartedly? Some officials with a higher standard of morality, have to borrow money from their friends and sell what little property they have, in order to make a living. Others are led to jobbery and corruption. Occasions for such fraudulent actions are especially numerous nowadays when the economic role of the Government has greatly expanded and all kinds of controls are being exerted everywhere. It was reported recently that from April a readjustment was made of the salaries of government officials. The basic salary is said to be raised from CN\$170,000 to CN\$300,000 and the salary index for the Nanking and Shanghai areas, raised from 1,100 to 1,500 times. Even so, the income will have increased only to 2,000 or 3,000 times what it was in the prewar period, while commodity prices have already risen by 28,000 times. Such a partial readjustment is of course not a radical solution to the problem. In the past, the Government has often spoken of reducing personnel and cancelling useless organisations so as to curb expenses. But this has not been translated into action. On the contrary, many new organisations are being established. We hope that the Government will give due consideration to the above problem.

### 2. Financial and economic measures

#### (a) Balance of the budget

The budget must be balanced. The present monetary inflation in China has been caused by the budgetary deficit of the Chinese Government. Therefore, so long as the national budget is not balanced, there will be no hope of averting the currency depreciation.

The SPECIAL BUDGET mainly comprises war expenses and reconstruction funds. Expenditure of this kind is of a temporary nature and must therefore be met from special sources of income.

For meeting war expenses, we advocate the levying of property tax. As we have already mentioned above, for the last decade, monetary infla-

tion has brought about a very unreasonable redistribution of the wealth of the nation. During the hostilities war expenses fell entirely on the middle and poorer classes, while the rich and the privileged groups became wealthier through profiteering. The advent of victory gave them new chances of making money. The sums of money in their hands have lost all connection with production, and are actually floating capital which is solely engaged in speculation. This accounts for the gold and U.S. note rushes before the enforcement of the Economic Emergency Measures of Feb. 15, 1947, and the turning to stocks and commodities since their enforcement. It is really high time now to levy property tax. It may be suggested that the Government should first begin by imposing classified property taxes such as gold tax, tax on deposits in foreign money, tax on securities, and tax on real estate, for these properties are more easily detected. General property tax and tax on the increment value of properties may be collected later on. In such a way, even if civil strife continues, there will be money enough to meet the war expenses. At the same time, the taxation will serve to ease the pressure exerted by speculations on industries and trades. Should civil war be immediately settled by peaceful means, the revenue realised through the above taxation may be used for reconstruction purposes.

China has been so impoverished by the Sino-Japanese war that she hardly has any appreciable capital for reconstruction, and will have to rely for this purpose on foreign capital. Besides, of the 30% of the Japanese war indemnity which is about to be allotted to the various victorious countries, half will be given to China, comprising 130 to 140 factories, with 1,350,000 tons of machinery. This will be an important aid to China's reconstruction work. We hope that the Chinese Government will lay down detailed plans for selecting locations for the manufactures, for dismantling the machines, transporting them and disposing of the materials obtained as indemnity, so that they may be employed as soon as possible.

To balance the ORDINARY BUDGET, the Government should tap new sources of income and curb expenses. Unnecessary expenses should be cancelled and a reduction of personnel and superfluous organs should be actually carried out. The taxation system should be completely revised and the procedure for levying taxes, simplified. It is hoped that after a readjustment of the salary of Government officials, jobbery and corruption will gradually disappear; and that tax revenue may grow along with the revival of various industries and trades. If expenditure still exceeds income, then surplus materials and Government enterprises are to be sold to private interests. This has been stipulated in the Economic Emergency Measures, and should be quickly realised.

When the Government succeeds in balancing its budget and the country can balance its international payments through the securing of foreign loans, then a reform of the currency may be carried out and the control of foreign exchange may be lifted. At present the extreme instability of the value of the currency has been a great disturbing factor in the national economy. In order to maintain the value of their money, many law-abiding people are obliged to hoard small quantities of commodities. Though this kind of hoarding should be distinguished from speculation yet their evil consequences on the whole economy are the same. After a monetary reform, both hoarding and speculation can be avoided. After the first world war, a reform of the money in Germany proved to be decisive for her economic reconstruction. After the second world war, Hungary has also succeeded in stabilising her economy through an adjustment of the currency. Another effect of a monetary reform will be the lifting of the control of foreign exchange and the gradual abolition of restrictions on imports. In this way, prices of principal raw materials, productive implements and foodstuffs in China can attain the same level as prices on the world market. Import and export trades will be in a position to adjust themselves. Producers will be able to foresee economic trends and base on them their plans for developing production. Then, having rid itself of all the bad consequences of an artificial control, the foreign exchange rate will reach a natural level.

#### (b) Change of Economic Policies

The present economic policies should be changed. From now on the promotion of production should be the first aim. Since the victory, in order to stabilise commodity prices and prevent currency inflation, the Chinese Government has bent all its efforts to absorbing foreign materials and adjusting its budget. It has however neglected the importance of production. On their part, the people have only looked to monetary inflation, but not to the diminution and growing lack of materials. This has led to an extreme shortage of material everywhere. For instance, if on an average each of the four million Shanghai-landers consumes 0.2 Tan of rice a month, the monthly demand for rice in this city will be 800,000 Tan; before the war, the regular reserve of rice in the city used to be more than 1,000,000 Tan; even during its occupation by the enemy, the reserve always approximated to 600,000 Tan. The present reserve of rice in the city has diminished to a strikingly low figure. The present stocks of the principal productions such as cloth and coal, have become less than 1/20 of what they were in the pre-war period. One cause of the great crisis of industry and trade nowadays is the sharp diminution of the actual value of capital.

*Political developments in Nanking, under pressure of Washington and of changes in the civil war position, have been followed with keen interest in most world capitals. Two representative London weeklies, the Economist and the New Statesman & Nation, have recently published informative articles bearing on the newly developed situation in China. The first article, by the Economist, is dealing with the civil war in Manchuria and its immediate implications; the second article, contributed by a Chinese correspondent to the New Statesman & Nation, reviews the seemingly unsolvable crisis of China and the outlook for the two militant parties, the Kuomintang and the Communists.*

#### I.

The struggle now going on in Manchuria is a civil war and something more. It is a local contest for control between the Chinese Central Government and the Communists, but it is also a new phase in an international struggle for ascendancy in Manchuria which has been going on, with variations of intensity, ever since 1895. It involves, indirectly, the restrictions on Chinese sovereignty in Manchuria im-

Under a currency inflation, the upward trend of commodity prices has brought about an apparent profit. Most enterprises live on the rise in prices. The actual value of their capital is in many cases less than 1/5 of what they had before the war. Under such circumstances, should there be a deflation of the currency and a stabilisation of prices, the various enterprises will lose their productive power and go bankrupt. This is a most serious danger for the future of the industries and trades in China.

A speedy importation of more machinery and raw materials and encouragement given to increase the output of raw materials, are essential to save the industries and trade from collapse and also to promote production.

As to the mode of operation, we rather favour various enterprises to be run by private interests. Today, the low efficiency of Government enterprises is an undeniable fact. The reasons for this are as follows:

(i) Government enterprises do not mind losing money. As public functionaries are badly paid, they will not economise for the State or make efforts to realise profits for it.

(ii) Administrations of Government enterprises are numerous. Often one factory or mining enterprise is subordinate to several authorities. Any plan is subject to the approval of each of these competent authorities. As industrial and trad-

posed by the notorious secret treaty of the Big Three at Yalta. It is because of this treaty and the position Russia holds by means of it in Manchuria that the civil war, which can be regarded as China's internal affair south of the Great Wall, becomes to the north of it a duel between Chinese nationalism and Russia, with the Communists playing a role more familiar in recent European experience than in their Yenan days in China.

There appears to be in the West little understanding of the impression produced on patriotic Chinese by the publication a year ago of the Yalta secret treaty dealing, among other things, with Manchuria. The treaty was, of course, never intended to be published in this generation or century. By a strange paradox it was just because such unusual measures were taken to keep it secret that it had to be published. President Roosevelt felt unable to communicate it to the State Department—nominally in charge of American foreign policy—and the State Department, in its innocence, later on put out a statement about the Kurile Islands incompatible with the actual terms of the Yalta treaty; Moscow publicly protested, revealing that there had been a secret agreement about the

ing opportunities are very fugitive, when entire approval is secured, it is often already too late to execute the plan.

(iii) Another radical deficiency of Government enterprises is that the administrator manages the enterprise as a public servant and not with the resourcefulness of a man running his own business. No enterprising spirit will or can fully prevail in such a management. Besides, as the businesses are under political influence, administrators are often changed. Therefore no far-sighted plan or policy of long standing can be laid down.

In the principles for the first stage of economic reconstruction passed by the Supreme Council of National Defence in Dec. 1944 strong emphasis was laid on widening the sphere of private enterprises. The Government must live up to those principles. But stress on private management should not merely mean the sale of certain Government enterprises to private concerns—means should also be devised to foster private enterprise. At present, the amount of foreign exchange appropriated to imports should be increased so that more machines and raw materials can arrive from abroad. Government banks should also grant more loans to various industries and trades. Finally, direct efforts should be made to recover communication and transportation facilities, to supply power and to help in improving the techniques of production.

Far East, which the world had been told nothing, and the British and American Governments, in their embarrassment, decided that the best course was to publish the treaty in full and have done with it. To Western observers it seemed that the publication did not really reveal anything new because in the meantime, since the Yalta Conference, China had concluded a public treaty with Russia, granting in substance the concessions the Big Three had agreed that Russia should have from China. But, from a Chinese point of view, the disclosure of the Yalta agreement entirely altered the significance of the public Sino-Russian treaty. The latter had been presented in China as a freely negotiated pact, which was believed to ensure both the authority of the Chinese Government in Manchuria and the reversion to China of the massive industrial equipment installed there by the Japanese. Moreover, for the rights granted to Russia—in effect, control of the trunk railways, the port of Dairen and the naval base of Port Arthur—diplomatic formulae were found which rendered the cessions less injurious to Chinese pride and largely concealed the extent of the surrender.

But the text of the Yalta agreement, when it was known, showed that there had been no question of free negotiation, that the terms had been agreed among the Big Three without China's knowledge or consent, and that the Chinese Generalissimo had been subsequently ordered to pretend to negotiate of his own volition an agreement embodying the terms. Further, the text of the Yalta treaty not only included a statement about the juridical position of the old Manchurian leases which was flatly untrue; it also referred to the compulsion to be applied to China in language of a brutal directness exceptional in diplomatic documents and deeply humiliating for any nation calling itself independent. Finally, but the time the Yalta treaty was published, it was evident that the Chinese Government had been tricked out of its share of the bargain ostensibly made in the Sino-Russian treaty, for the Russians had not facilitated, but had systematically obstructed, the extension of the Government's authority into Manchuria and had carried off to Russia as "war booty" the coveted Japanese industrial assets.

The public reaction in China to the disclosures was comparatively slight at the time, because the Government, for reasons of expediency, tried to damp down overt denunciation of a pact in which not only Russia but also the United States was involved. The Communists not merely refrained from denouncing it, but suppressed all mention of it by censorship in the territories under their control. To superficial observation, therefore, it might appear that Chinese political opinion was not seriously upset. But it would be a great mistake to suppose that the incident has been overlooked or forgotten. It has sunk deeply into the consciousness and memory of the portion

of the Chinese people which is aware of international political issues and forms "public opinion" in China. It has not failed to produce a deep distrust of all the major Western nations and a cynical contempt for their professed standards of behaviour, just at the time when it seemed that a happy, fresh start might be made in relations between the West and China. For all China's modern history, the thoughts and emotions of its revolutionary epoch, have turned on the struggle for national independence and sovereignty, for "abolition of the unequal treaties" and "rights recovery." Not everything, it is true, has happened to China as represented in the Chinese nationalist version; the foreigners in China have had their side of the case, which Chinese writers often ignore. But China has certainly been the victim over a long period of a series of encroachments and aggressions by various nations, culminating in the Japanese invasions from 1931 onwards. If the Chinese were to feel after the end of the Pacific war that their sovereignty had been fully restored, that the "imperialist" chapter of history was closed and that they could cooperate with confidence and on equal terms with other nations in the post-war world, it was essential that no fresh demands infringing China's sovereignty should be forced upon the Chinese in their time of weakness by their more powerful allies. It was essential that there should be no repetition of the "Twenty-one Demands" of 1915. But, in the event, there has been a new encroachment on China's sovereignty—for legal titles to what has been "restored" to Russia had, in any case, long since lapsed—and though it has been for the benefit of one nation alone, all the greatest Powers of the West combined to impose their dictate. This will be remembered in China for a very long time.

Immediately it means that the war being waged in Manchuria has a significance which is not allowed to emerge in the public pronouncements of either of the contending parties. The Chinese Government does not denounce the Yalta agreement or repudiate its own treaty of two years ago, but in view of its own tradition of policy it can hardly, if it controls Manchuria or any part of it, take up an attitude different to that of Chinese nationalism after the last war. The Chinese then claimed that treaty rights based on the Twenty-one Demands "lacked fundamental validity" because they had been extorted under duress, and they tried in various ways to frustrate the operation of these rights without directly challenging them. The experience of the "railway empires" in Manchuria, whether Russian or Japanese, has indeed been that the system does not work unless the Chinese authorities in the country are either passively acquiescent or positively "friendly"; if there is a nationalist Chinese regime, which only accepts the situation under *force majeure* and is secretly striving to get rid of these foreign controls, then there is bound to be local conflict

and friction leading probably sooner or later to violence. Whatever foreign nation holds effective control of the Manchurian trunk railways with Port Arthur and Dairen is an "over-mighty subject" for China, and it is therefore dangerous to allow an independent central Chinese Government to have authority in Manchuria, lest it should try to turn the tables. The Japanese formerly supported the separate regime of Chang Tso-lin in Manchuria, as long as he was subservient to their interests and then murdered him when he turned against them; when his son also indulged in Chinese patriotism, they set up "Manchukuo" and sustained it with a Japanese military occupation.

A regional Communist regime in Manchuria, independent, in fact, of the Chinese Central Government would give Russia just the "friendly," dependent Chinese administration needed to safeguard the newly-acquired Russian rights from Chinese nationalist interference or competition and to prevent an economic development of Manchuria financed with American capital. The great advantage which the Russians enjoy in comparison with the former Japanese militarists is that they have real and substantial Chinese helpers, who are their friends on principle and not merely opportunists like Chang Tso-lin, or puppets with no strength of their own like the "Manchukuo" rulers. The Communists represent a powerful, popular movement, which has long had a political organisation, army and civil administration of its own within Chinese territory, independent of any direct support from abroad; they have also given proof of their patriotism in the past by their warfare against the Japanese. Russia can leave them to do the fighting needed to keep the Nanking forces out of Manchuria—or having failed to keep them out, to drive them out. Russian aid to the Communists has been indirect, but none the less effective; the Communists would not be established in Manchuria at all if Russia had honestly carried out the terms of the 1945 treaty, but the Russians then barred the entry of Government troops through Dairen on a frivolous pretext, while allowing Communist forces to enter Manchuria by land from North China and (gathering local reinforcements) to equip themselves from the arms dumps of the Japanese Kwantung Army which had surrendered to Russia. The Communists have had a year and a half to organise their rule in the north of Manchuria, and are now on the offensive against the Government forces, which in the end broke in by land from Honei and advanced northward as far as Changchun.

Every war has many unexpected turnings, and the issue of this one is still doubtful. If the Nanking forces hold their own, Russian support of the Communists may take a more active form than hitherto. If, however, Manchuria as a whole were to be separated from the rest of China under Communist control, a new situation would

arise in the Far East. The Chinese Communists would be much more closely identified than they have ever been before with the State interests of the Soviet Union and this must make a considerable difference to the character of their movement. On the other hand, the Kuomintang, or whatever party coalition succeeds it in Nanking, would have a perfect irredentist cause and programme for intensifying Chinese nationalism as a political force. The hope of a peacefully developing united China would have receded once again into dreamland and the unlaid ghost of "Manchukuo" would still walk the earth.

## II.

The Central Government of China was reorganised by the Kuomintang Party to meet the conditions laid down by Marshall when he left China. The first reaction was a steep increase of prices which had remained relatively stable for two months after the resignation of T. V. Soong. In some circles the unfriendly reaction of the market was regarded as a challenge of the right-wing of the KMT, the C.C. Clique, which had been denounced by Marshall as reactionary and been accused of sabotaging the American effort of mediation. Whether the C.C. Clique was responsible for the rapid increases in May is, however, of little importance, since inflation is inevitable under conditions of civil war in a country already devastated.

The danger of the May crisis lay in its effect on the price of the poorest quality food, which bore most hardly on the poorest section of the population. Within three weeks, cornflour, eaten by peasants and coolies, has increased from N.C. \$400 to N.C. \$2,300 per catty (1½ lb.) in Peiping. True to Chinese tradition, rice riots followed and hungry masses of people confiscated hoardings of rice. In an agrarian economy, social disorder and rice riots cannot be suppressed by force. Ancient wisdom admits the hopelessness of fighting the hungry masses. But the present rulers of China do not profit by the warnings of their ancestors. They hope that American aid will come to save them from losing face as well as power.

The new Premier, Chang Chen, endorsed by Marshall, confessed publicly in the People's Consultative Council that he had no power to perform miracles. In private, he told his friends that the fate of his Cabinet will be decided by three "lao-ye"; Tien lao-ye (Heavenly father), Yang lao-ye (Foreign father, Americans), and Pin lao-ye (soldierly father)—in other words, a good harvest, an American loan and a military victory against the Communists. Unfortunately the three lao-ye have shown no sign of grace. Bright and burning sun overlooks the vast

war-torn plains of North China, not one night of rain has refreshed the young shoots of wheat. Drought is threatened.

The lavish Americans, in spite of their devotion to the Truman doctrine, are reluctant to give the 500-million-dollar loan, which has been promised so many times in the last year. The thirsty Chinese Government had already counted upon that sum when they issued the internal loan on a dollar basis. The nervous Central News Agency frequently cables from Washington that the loan is impending, but the loan is still out of reach. Lastly, the Pin lao-ye disappointed the hopeful Prime Minister. The capture of Yenan was a military blunder. It was a political move to show the American Government and the public that the KMT was strong enough to capture the Red Capital. But the victorious army found the famous city evacuated. It looked like a trap. It was. Shortly afterwards the Communist Army were easily able to enter the richer lands of Shansi because their opponents had moved into Shensi to capture Yenan. They exchanged places and the Communists gained. Simultaneously, the Communists started local offensives on all fronts, from Manchuria to Shantung and Inner Mongolia. The KMT Army found itself out-maneuvred and on the defensive. The new Premier has reason to say that without the help of the three lao-ye's he cannot perform miracles.

Miracle or no miracle, the starving people cannot live on under such conditions. Rice riots are the protest of the unorganised masses. But among the better-organised part of the population, the workers, although few in numbers and closely watched by Government agents, threaten to strike unless the *ban* is lifted on the wage increases. The demands of the workers were quickly followed by strikes in the faculties of several universities, which are closely linked with the KMT; students in the universities of Shanghai and Chekiang also went on strike on trivial pretexts. Observers interpreted these strikes as a further tactical challenge by the C.C. Clique to the new Premier and Minister of Education, who is also a rival of the C.C. The students used violence and even held up the train from Shanghai to Nanking for more than one day. The police and the army did not interfere.

These demonstrations by the reactionary forces within their own party were, however, staged at the wrong time. The grievance of the people overflowed the issue of petty politics and they cried out with one voice against hunger and war. Although the reactionaries at once withdrew their support and proclaimed that the movement had changed from its "right" course, popular demand for peace overwhelmed the country under KMT control. Practically all the universities and colleges joined the strike.

In every big city, Shanghai, Nanking, Peiping, Tientsin, Hangchow, Canton, Kunming, students demonstrated against the civil war. At the present moment, the students have returned to their studies, but the mass movement may break out again at any moment. Civil war continues; inflation continues; there is little probability that the students, the best-organised section of the Chinese people, will remain quiet and undisputed.

The hope of peaceful settlement of the Chinese civil war is faint. The KMT is seriously divided. The militarists and reactionaries know that any peace settlement will be to their disadvantage. They sabotaged the American peace efforts. They drove the Communist representatives from the Government area. They captured Yenan and closed the door to peace. They suppressed liberal papers and have closed down three outspoken dailies in Shanghai as an indication of their determination to fight on. Inside the KMT there are less fanatical people who encourage the peace movement outside the KMT. But they are not in power. The Generalissimo is as stubborn as a monument. No pressure of any kind seems to move him one inch towards modern ideas and liberalism. On the Communist side, their determination is as strong as their opponents. There is no need for them to attempt peace talks and they know from experience that no result will be achieved.

American prestige has declined ever since the failure of the attempts at mediation. Suspicion that America's sympathies lie with the KMT is widespread. At present it is extremely difficult to explain to young students that America's intention is to build a democratic China. No one will believe that the American Government will tolerate a coalition government with strong Communist representation in China; they reply by pointing to the Truman doctrine. There is much confusion about American policy. The KMT wonders why the American government holds up the promised loan which they need to destroy the Communists. The Communists are certain that the Americans are backing the KMT. Therefore American interest in peace would surprise both parties.

Only a miracle will lead China to peace. Such a miracle does not seem likely to arise from China's own soil. It is difficult to say how long the fighting will go on. Some optimists think six months. The result is probably in favour of the revolutionary side, but this may not be true. The speedy lowering of the living conditions of the people will cause trouble for any government that tries to bring order to China. A military victory on either side will not solve the problems of the Chinese population.

## POPULATION PROBLEMS IN HONG KONG

When the former Governor of Hongkong, Sir Mark Young, submitted his views and proposals regarding the establishment of a Municipal Council in Hongkong, he attached to his despatch of last October 22 (cf. our issue of July 23), a report compiled by his Special Adviser, Mr. T. M. Hazlerigg, which dealt with "The Extent and Exercise of the Franchise" in Hongkong.

Mr. Hazlerigg's report, which is published below, stresses in the introduction that the determination of the extent of the franchise in Hongkong, the method of preparation of the electoral registers and the determination of the electoral divisions involve consideration of factors some of which are peculiar to Hongkong.

Following is the full text of the report of Mr. Hazlerigg:—

In the population of the Colony there is a lack of homogeneity in either race or nationality, there is a tendency for racial groups to congregate in specific areas, the sub-division of tenements makes housing conditions unique, there is a high degree of illiteracy, particularly among females, and finally much of the population is of a transient nature, the duration of the individual's stay in the Colony being influenced by the conditions prevailing in China.

The difficulty in obtaining a true assessment of the position has been greatly increased by the displacements of population caused by the enemy occupation.

### I. NUMBER OF INHABITANTS

Owing to the fact that there has been no census since 1931, to the displacement of the normal population during the war and to the influx of Chinese since 1937, it is well-nigh impossible to obtain any reasonably clear picture as to the number of the Colony's inhabitants or the location of the various racial groups.

It is believed by many that the population of the Colony, which at the time of the re-occupation was estimated at 600,000 has already reached a figure of between 1,000,000 and 1,500,000. This figure is very

much in excess of that of the population enumerated at the 1931 census (849,751), but it cannot be said that there is any definite evidence supporting this. The congestion resultant on the widespread devastation of residential property may well cause the illusion of a greatly increased population.

### II.) CIVIL POPULATION

For the purpose of this memorandum it seems desirable, where direct evidence to the contrary is not available, to adhere to the figures of the 1931 census.

On this basis the civil population of the Island of Hong Kong and that part of the Kowloon peninsula which would lie within the administrative area of the Municipality would be approximately 666,000.

Of this number, some 404,000 would be resident on the Island and 262,000 on the mainland.

These figures do not include a population afloat amounting to some 46,000.

On the same basis the number of adults would be approximately 416,000, made up of 248,000 males and 168,000 females.

It is noteworthy that the 1931 census disclosed that only 22.26 per cent of adult Chinese women claimed to be able to read and write their mother tongue and it would be in keeping with oriental tradition that only a negligible percentage would have any formed and independent opinion on such matters as municipal affairs.

### III.) CHINESE POPULATION

In 1931 the Colony's heterogeneous community was made up of 43 different races and those of Chinese race formed 97.7 per cent of the civil population of the whole Colony. For the urban areas this percentage would be slightly reduced because the population of the New Territories which was a factor in its ascertainment, is almost entirely of Chinese race.

Of the population of Chinese race within the proposed administrative area of the Council approximately 140,000 or 21 per cent claimed local birth and

thus would be of British nationality. It is, however, interesting to note that only 2.3 per cent of those of local birth claimed to be British subjects.

### IV.) TRANSIENT NATURE OF POPULATION

The transient nature of the greater part of the Chinese population is clearly shown by the fact that at the 1931 census only 38.67 per cent of the urban population claimed residence for over 10 years, 25.64 per cent residence for over 15 years and 15.86 residence for over 20 years.

It is probable that in the present population these percentages would be found to be greatly reduced owing to the displacement of population during the enemy occupation and it is by no means unlikely that a third of the present Chinese inhabitants have become residents only since the re-occupation of the Colony.

### V.) THE MINORITY RACES

The civilian population of British race and nationality was 6,684 in 1931. It is impossible now to give even an approximate figure. The numbers increase steadily as those who were repatriated return to the Colony.

In 1931 the Indian civilian community comprised 3,475 persons, including a large number of police officers. Today it probably comprises not more than 500 to 800 persons but members of the Indian community regard it as likely that the 1931 figure may again be reached in the not very distant future.

The local Portuguese (i.e. those born in Hong Kong, Macao or China) numbered 3,198 in 1931 and it seems likely that there has been little change since that date.

It must be emphasised that the local Portuguese, of all the inhabitants of the Colony, are the most permanent element and have the highest claim to regard Hong Kong as their home.

At the last census only 837 persons were returned as Eurasians. The majority of the local Eurasians were enumerated among the Chinese.

In 1931 the residents of 21 different non-British "European" races (including Americans) numbered 1,574 of whom the larger race groups (excluding those recently classed as enemy aliens) were 324 American, 96 Dutch, 227 French, 127 Russians and 124 Spaniards.

#### VI.) GROUPING OF RACES IN DISTRICTS

There are many districts, particularly in the most densely populated urban areas, where virtually the whole population is Chinese.

Prior to the Japanese occupation there were some districts which were almost exclusively European and others which were almost exclusively Portuguese, while the bulk of the Indian community was centred in one district.

While the Chinese districts remain unaltered in character, the displacement of population during the enemy occupation, destruction in the course of operations and the activities of looters have gone far towards dispersing the minority races throughout the Colony.

These factors have to be taken into account when considering the question of electoral divisions.

#### VII.) HOUSING CONDITIONS

The problem of securing representation for the Chinese population cannot be considered independently of the housing conditions under which the working classes live.

The occupational classification made on the 1931 census shows that Metal Workers, Makers of Textile Goods and Clothing, Makers of Foods, Workers in Wood, Bricklayers, Builders and Stone-workers, Workers in Transport and Communications and Clerks and Draughtsmen form the main occupational groups.

Workers in the corresponding groups in the United Kingdom would most frequently be tenants of houses.

In Hong Kong it would be a rarity to find any member of the working classes who was tenant of a house or even of a single floor in a house.

In the urban areas the houses generally consist of three or four storeys, of which the ground floor is usually let to a shop-keeper who, with his as-

sistants, live in and at the back of the shop.

The upper storeys are single rooms running the length and width of the house and each of these is usually let off to a separate principal tenant who sub-divides his floor by means of partitions into four or five cubicles, all having a common kitchen. The principal tenant of the floor keeps one cubicle for himself and sub-lets the other cubicles and even sub-lets bed-spaces on the landings.

The ordinary working man occupies with his family a cubicle or bed-space of this sort —his "holding" probably amounts to about one-fortieth of the floor space of the house.

Many workers of the carrying-coolie class, of whom there are thousands, live in coolie lodging houses or in fine weather make their homes on the pavements under verandahs.

This state of affairs, coupled with the fundamentally transient nature of the population due to the contiguity of China, to which reference has been made in paragraph 5 of this memorandum, and with the absence (and probable impracticability) of any system of individual registration similar to National Registration in the United Kingdom, operates to make it practically impossible to devise any form of electoral registration for the peripatetic masses of the people which would not open the door to personation on an extensive scale.

It is, therefore, regarded as essential to link eligibility as an elector with a property ownership or householder qualification, with the alternative of liability for jury service or the statutory exemption therefrom. No other satisfactory method of identifying the electors presents itself.

In this connection the nomination of members of the Council by representative bodies including the Trade Unions should prove of great value as offering the means of assuring representation for those of the working classes who do not possess the residential or other qualifications which would entitle them to registration as electors.

#### VIII.) LEGISLATION

As there is no existing electoral law, it will be necessary to enact the whole body of legis-

lation covering the registration of voters, the conduct of elections (particularly as to corrupt and illegal practices), petitions, criminal offences (personation, &c.)

In general it would be desirable for this to follow the lines of the legislation covering local government elections in England, but in the case of the registration of voters I think that the onus of securing registration will have to be imposed on those who desire to exercise the franchise.

To conduct the house-to-house inquiry which is the basis of the electors' lists in England would involve the engagement of a considerable staff.

Moreover, the registration officer will be much concerned with investigating claims as to nationality, length of residence and other qualification which would be susceptible of ready verification in the course of house-to-house visits.

It would be better that those desiring to exercise the franchise should attend at a registration office where they can be interviewed by a responsible officer, produce evidence of their qualifications and sign such declarations as to residence etc as may be required.

It is by no means impossible that irresponsible persons might seek to embarrass the Government by procuring an excessive number of nominations and it has been suggested that a deposit might be required as in the case of Parliamentary elections in the United Kingdom.

I do not think that this would be desirable, particularly as it is thought that some of the better-type Chinese may in any event hesitate to risk defeat at the polls.

It might however be desirable to require the nomination paper to be signed by the proposer and seconder and eighteen (instead of eight) other electors.

It is also conceivable that no nomination might be made for a ward or wards and in order to provide for this contingency, particularly on the first election, it might be desirable for the Governor to have a right of nomination in default. On a second or subsequent election the home practice of the "sitting-member" being returned in default of nomination could be applied.

## EXCHANGE & FINANCIAL MARKETS

### Gold Transactions

But for excitement about arrivals of gold from Manila in Macao, the whole market here was rather inactive compared to recent trading periods. Gold prices in China were on the whole unchanged and at par with Hongkong. At times Canton underquoted the local market which resulted in temporary cessation of exports of gold from here to South China. Some imports of gold from Siam and Java, brought here by Chinese travellers and dealers, were reported in the market but this had no bearish effect.

Bullion brokers and native bankers estimate that some 20,000 taels of gold have been unloaded in Macao from where a part has been re-exported to Canton and the remainder consigned for Hongkong; the transportation may be held up for reasons of "security" but eventually the local market should benefit from the rumoured large arrivals or expected arrivals of gold in the Portuguese Colony.

The week's highest and lowest quotations here were respectively \$338½ and \$325. The cross rate average was US\$54 per troy ounce.

### The Chinese Money Market

Under continued tightness of money in Shanghai the CN\$ rates remained on the whole unchanged. During the earlier part of the week the Shanghai and Canton remittance rates showed some strength. At the close there was little confidence displayed in the future maintenance of current quotations. The week's highest and lowest quotations were as follows: for spot banknotes \$141½ and 128 (for one million CN\$); forward bank notes \$115 and 110; Shanghai remittance \$130 and 115; Canton remittance \$136 and 127. The Canton-Shanghai T.T. quoted the Canton dollar at a premium of 5 to 10 percent.

### Bank Note Markets

Sterling was not much in demand, quoting \$13 to 13.20. Piastres had a good turnover but quotations were moving within narrow fractions. Baht notes appreciated, at one time fetched \$23½. Nica guilder, after the reports of Dutch successes came through, appreciated to over \$30, showing firmness.

### US\$ Transactions

The T.T. market was dull, few sellers and hardly any demand from Shanghai and the Levant. Local merchant demand has always been comparatively negligible and cannot sustain the rate. It is mainly due to Shanghai and, to a lesser extent, to Near Eastern merchant and speculative demand that the local T.T. rate could be upheld. On the other hand, the local average quotation for T.T. New York was during recent months about 5 percent cheaper than the free market rate of sterling in New York.

Demand for notes and drafts was brisk owing to importers requiring considerable amounts for payment of imports from the U.S. Highest and lowest prices for the previous and the past week were: (in HK\$ for US\$100).

	Week: July 14-19	July 21 '26		
	High	Low	High	Low
T.T. New York	515	500	505	497
Drafts .....	498	482	489	486
Bank notes .....	501	480	488	483

Sterling in the free exchange market of New York was quoted during the last fortnight about US\$3.03 to 3.08 for pound notes, slightly over US\$ 3 for transferable (resident) sterling, and around US\$2.45/2.55 for £ securities. Chinese account sterling was quoted on the average US\$ 3.30. The local cross rate touched US\$3.09 (lowest) and US\$3.21 (highest) for £1, i.e. about 5 percent more than the free rate in New York.

### Japanese Military Yen

We had occasion to review the position of the Military Yen in Hongkong in our issue of March 12, page 131, when one of the periodic waves of speculation drove up the value to the peak of HK\$32.33 per 10,000 military yen. During the earlier part of March a rumour was launched regarding the registration of such notes by the Chinese Chamber of Commerce for the eventual purpose of presenting them to Japan, at the final day of settlement, for exchange into crockery, bicycles, alarm clocks and the like. The Chamber angrily repudiated such rumours and subsequently the local rate "found its proper level" which was, by the middle

### HONG KONG OFFICIAL EXCHANGE RATES

	Hongkong & Shanghai Bank's Selling rates	Exchange Banks Association "agreed merchant rates"
London .....	1/2.27/32	Selling 1/2.15/16 delivery within two months with a cut of 1/32 for every 3 months forward
Australia .....	1.6½	1/6½ TT 1/6.15/16 O/D
Singapore .....	52½	53.7/16 TT & O/D 53.9/16 30-60 d/s
India .....	82½	83½ TT 83½ O/D 84 30 d/s 84½ 60-90 d/s
U.S. and Canada 24½		24.15.16 delivery within two months with a cut of 1/16 for every 3 months forward
Manila .....	50.1/16	1/6½ TT 1/6.15/16 O/D
Paris .....	2970	53.7/16 TT & O/D 53.9/16 30-60 d/s
Zuerich .....	107	83½ TT 83½ O/D 84 30 d/s 84½ 60-90 d/s
Bangkok .....	243	25.5/16 D/D & 30 d/s
Shanghai .....	Nominal	25½ TT 25½ 60-90 d/s
	US\$ cross rate in London 402½ b., 403½ s.	

### HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

July	CN\$ (per one million)				S'hai	Canton	US\$	(per 100)			(per 100)			
	Gold per Tael	Spot	Forward	T.T.				Draft	T.T.	I.C. \$	Guil. der	Baht		
21	334	325	138	136½	111½	106½	125	130	484	488	505	11½	23½	20½
22	338½	330½	139½	136½	115	110½	130	135	487	488	505	11½	22½	21½
23	335½	329½	141½	140	113½	110	130	133	488	489	500	11½	21½	21½
24	332	328½	140½	138	111½	110½	124	133	486	488	498	11½	24½	22½
25	333½	328½	139	133½	111	110	120	130	487	488	499	11½	28½	23
26	333	331½	130	128	110	103½	118	129	487	488	500	11½	27½	23

of the month, about \$7 to 9 (depending on the sentiments of the taipan of the respective native bank where such notes were hung out for sale).

However, the rumour of early March 1947 now turns out to be more than a joke: the Chinese Govt has announced their desire to protect overseas Chinese from losses suffered during the Japanese occupation and in pursuance of this desire they will, as from August 1, register all holders of military yen notes in Hongkong. What practical results this registration will bring remains to be seen, however, the market here received the official announcement with some optimism; the quotation of this scrip went up to \$14 and 15. Many holders of military scrip, probably influenced by the truth of the saying that hope deferred maketh the heart sick, disposed long ago of what they considered worthless paper.

## SOUTH CHINA TRADE REPORT

In compliance with repeated requests of its members—exporters, merchants and industrialists—the Hongkong Chinese Chamber of Commerce last weekend, after several meetings, formally drafted and forwarded a five-point petition to the Executive Yuan in Nanking, the Kwangtung Provincial Government and the South China Import and Export Control Board (SCIECB), requesting a more sympathetic consideration of the difficulties facing the Chinese exporters here since the promulgation of the revised import regulations by the SCIECB on July 1.

Pointing out the serious adverse effects brought about by the new measures to business establishments both in Hongkong and Canton as well as to Kwangtung's supply of raw materials for industrial requirements, the petition urged the Chinese Government to lift the embargo on transit for imported goods from Kwangtung to other provinces, to increase the foreign currency quotas to a practical standard for essential goods importers in South China, and to allow importers to ship goods to China if such imports were financed by the importers' own foreign currency holdings.

Judging from China's general economic policy viewpoint, especially in the light of the national general mobilisation order, it is unlikely that the Chinese will revise the existing import control regulations to such an extent that South China importers will be satisfied. Even officials of the Chinese Chamber of Commerce here are of the opinion that the petition will not receive a favourable reply from the Chinese Government, although the Chamber is hoping against hope.

The Secretary of the Chinese Chamber told the Far Eastern Economic Review that he does not think

During the first six months of 1947 a total of 1,351,533 passengers and 74,786 tons of freight have been carried by the Kowloon-Canton Railway. Passengers in local traffic, i.e. within the New Territories, numbered 384,297. Passengers in foreign traffic, i.e. to Canton, numbered for the first six months of this year: up 516,006, down 451,230, making a total of 967,236 persons

About 92/93 percent of all freight was carried by the Railway to Canton; about 3½ to 4 percent of the total freight was brought from China to Hongkong; and about 3½ percent of freight was carried in local traffic.

### Figures for June 1947

Passengers carried in local traffic: 68,604.

Passengers carried in foreign traffic: 133,485, of which 69,718 went to China, and 63,767 arrived here coming from China.

Total freight carried: 15,610 tons.

### Conditions of the Railway

Until the arrival of new rolling stock, and machinery and equipment

that local European exporters here have been affected greatly by the revised trade restrictions in Canton.

The Secretary of the Hongkong General Chamber of Commerce disclosed that the Chamber had received only one complaint from an American paper firm, which wanted the Hongkong Government to make representations to the Kwangtung Provincial Government regarding the new import restrictions. The General Chamber has, however, decided not to forward the American firm's complaint or rather wishes to the Hongkong Government, since the Secretary said: "It is China's internal affairs in which we would not like to interfere. Furthermore, China is in need of preserving her foreign currency holdings as much as she possibly can."

The only relief which came to South China importers during the week was an announcement of the Canton Customs to the effect that transit (re-export of goods from Canton) of goods from Hongkong to the South China areas via Canton will be allowed, provided import permit for such goods were issued by the SCIECB after July 1. This partial lift of the transit ban will undoubtedly help Canton importers to a certain extent, but it will not bring the import and export trade of Canton to the pre July 1 state since the transit of goods to Shanghai, biggest consumption centre, and other provinces are still under embargo.

According to an announcement of the SCIECB released in Canton on

required by the Railway's workshops no further improvement in traffic can be expected. A large order for British locomotives is awaiting shipment. Other orders comprise: 34 all-steel coaches with vestibule ends (sleeping, dining and passenger cars), equipped with air-conditioning apparatus, 255 wagons, machinery, tools, spare parts.

Until now six new British locomotives and two shunters were imported since reoccupation of the Colony. The existing rolling stock has been overhauled locally, the track well repaired and rehabilitation on the British section has progressed with satisfactory speed. The Chinese section is still far from normal and will require thorough repairs before faster communications between here and Canton are possible. It takes at present 4½ hours by train to reach Canton while before the war only 2 hours and 50 minutes were required.

The current schedule of the Railway is: 6 express passenger trains, 2 slow passenger trains, and 2 freight trains between Kowloon and Canton; 12 fast and slow passenger and goods train in local traffic.

July 27, 31 rubber manufacturers and importers in Canton and Hongkong who registered with the Board will each receive a quota of US\$2,700 out of the total South China rubber allocation of US\$150,000 for the second quarter. The Board also announced a quota of US\$832 for each of the 34 registered motorcar tyre importers in Canton in the current quarter.

During the first four months of the year, the Board issued 5,018 import permits for US\$11,203,651 worth of merchandise under all schedules. This represents an average monthly requirement of US\$2,800,000 by all registered importers in Canton. The present quota being US\$300,000 (already revised when compared with US\$100,000 monthly quota as announced on July 1) is only 10 percent of the actual requirement of Canton importers.

The new Chinese import restrictions have already affected Hongkong's legitimate export trade to South China and as a result Hongkong's wholesale and retail prices of various export goods have dropped considerably during the last two weeks, while on the other hand the prices in Canton have increased markedly during the same period due to shortage of supply.

Though recorded trade between here and Canton has slumped owing to the new restrictions, there have been large quantities of essential and luxury goods finding way into Canton from here through underground channels.

## HONGKONG STOCK EXCHANGE QUOTATIONS

	Buyers	Sellers	Sales	Nom.
<b>H.K. GOVT LOANS</b>				
4% Loan	108 1/2	—	—	—
3 1/2% Loan	101	—	—	—
<b>BANKS</b>				
H.K. & S. Bank	1990	—	2010/15	—
H.K. & S. Bank (Lon. Reg.)	—	—	—	£115 1/2
Chartered Bank	—	—	—	£12.1/16
Mercantile Bk. A. & B.	—	—	—	£23 3/4
Bank of East Asia	—	—	—	108
<b>INSURANCES</b>				
Canton Ins.	—	—	—	100
Union Ins.	800	825	—	—
China Underwriters	2 3/4	—	3	—
H.K. Fire Ins.	—	—	—	300
<b>SHIPPING</b>				
Douglas	—	—	—	245
H.K. & M. Steamboats	—	—	—	11
Indo China (Pref.)	—	—	—	101
Indo China (Def.)	—	—	—	379
Shells (Bearer)	—	—	—	106/10 1/2
Union Waterboats	42	—	—	—
<b>DOCKS, WHARVES, GODDOWNS,</b>				
H.K. & K. Wharves	—	245	—	—
H.K. Docks	44 1/4	—	43 1/2/45 1/2/45	—
China Providents	27	28	27/27 1/2/1/4	—
S'hai Dockyards	13	—	—	—
<b>MINING</b>				
Raub Mines	—	7	—	—
H.K. Mines	—	6 c.	—	—
<b>LANDS, HOTELS &amp; BLDGS.</b>				
H. & S. Hotels	25	25 3/4	25 1/4/3/4	—
H.K. Lands	83	84	84/83 1/2	—
S'hai Lands	3 3/4	—	—	—
Humphreys Estates	25 1/4	—	—	—
H.K. Realties	—	—	—	16 1/4
Chinese Estates	—	—	—	190
<b>PUBLIC UTILITIES</b>				
H.K. Tramways	26 1/2	27	26 1/4/27	—
Peak Trams (Old)	10	—	—	—
Peak Trams (New)	—	—	—	4 1/2
Star Ferries	130	—	132	—
Yaumati Ferries	—	—	—	31
C. Lights (Old)	19 1/4	19 1/2	19/19 1/4	—
C. Lights (New)	13	—	—	—
H.K. Electrics	76	77	75/77	—
Macao Electrics	22	—	—	—
Sandakan Lights	—	—	—	13
Telephones (Old)	49	—	50	—
Telephones (New)	—	—	36 1/2	—
<b>INDUSTRIALS</b>				
Canton Ices	—	—	—	7 1/2
Cements	33 1/2	34	33/34	—
H.K. Ropes	—	23	22 1/2/23	—
<b>STORES &amp;c.</b>				
Dairy Farms	86 1/2	—	86 1/2/87	—
Watsons	—	69 1/2	69 1/2	—
Lane, Crawfords	54	—	54	—
Sinceres	—	—	—	9.20
China Emporium	—	14 3/4	—	—
Sun Co., Ltd.	5 1/2	—	—	—
Kwong Sang Hong	—	—	—	220
Wing On (H.K.)	—	—	—	145
Wm. Powell, Ltd.	—	—	—	6
<b>MISCELLANEOUS</b>				
China Entertainments	34 1/4	—	—	—
H.K. Constructions (Old)	—	7 1/4	—	—
H.K. Constructions (New)	—	—	—	6
Vibro Piling	—	—	—	6 1/4
Marsman Investments	—	—	—	13/3
Marsman, (H.K.)	—	—	—	1/6
<b>COTTONS</b>				
EWOB	8 1/4	—	—	—

## HONGKONG STOCK & SHARE MARKET

With most of the active shares again moving up and strong buying interest persisting, last week's market enjoyed a good turnover in spite of the dog days. The tendency remains firm and further gains of the popular counters are anticipated.

Banks and Union Insurances remained steady throughout the week business passing at \$2000/2030 and 785/810 respectively. Canton Insurances and H.K. Fires were dealt in at 390 and 290/300 respectively. A small parcel of Underwriters was done at \$2.75.

There was some activity in the shipping section; Indo-China deferred could be placed at \$390; Waterboats gained \$6 during the week, the new shares selling \$1 less than the old ones, the latter coming to business at \$42. The Douglas S.S. Co. Ltd. has issued its Report for the forthcoming annual meeting; from the Accounts one gathers that the Company is in a very strong position and that a dividend of \$2.50 for the years 1941 to 1946 is to be declared.

Wharves quoting ex dividend \$232, a rather low price, were very much in demand but little if any scrip is on offer and buyers will have to raise their bids. At the beginning of the current week \$245 were offered.

China Providents after being neglected for some time suddenly were on demand and shares rose from 22 1/4 to 26 1/2 on rumours of an impending new issue of capital. As far as we have ascertained there is no foundation for such guesses. The Company at the last annual meeting passed a resolution increasing the authorised capital to \$10 million but unless the Company is willing to embark on reconstructing of new godowns in its bombed property no fresh capital is needed at present.

The long awaited Report & Accounts for 1946 of the Hotel Co. is just out and proved to many shareholders disappointing. No accounts of the subsidiary company are produced owing to currency difficulties; but as it is a H.K. registered company with large holdings of local investors some sort of account should have been made public although with reservations. Hotel shares were last week the medium of a good volume of business from \$24 1/2 to 25, ex dividend (\$1).

We hear much criticism of the management of the Hotel Company's affairs, many shareholders contend that representation on the Board of Directors is not adequate. There are shareholders who possess a very large number of shares but they are unable to get a representation on the Board although applications were made. There is a movement by shareholders underway to enlarge the present Board or, failing this, to obtain a representation on the present Board where one of the present Directors would have to make room. That hardening sentiment has been obviously gaining momentum after the announcement of the \$1 dividend.

Utilities were the high light of the week under review with Electrics advancing from 68 to 76. Many thousands of shares were taken off the market which was a little easier at the close due to profit taking. China Lights also advanced from 17 to 19, easing off at 18%. Star Ferries owing to shortage of scrip improved to 130 from 120 at the beginning of the week. Telephones were much in demand and there are good prospects for further increases; the expected opening of trans-pacific telephone communications should act as a fillip.

Ropes were put through from 19 to 22 closing with sellers at 22½; Cements were ruling firm, ex rights at \$30½/31½, and rights being trade at 18/19.

A sustained demand for Dairy Farms lifted the price from 80 to 87 closing with sellers. Watsons, operating at full capacity and doing a roaring business, gained 5 points during the week. Lane Crawfords rose from 47 to 54 with few shares only changing hands. The dividend for last year was \$5, showing a return of 10 percent; there is plenty of room for further capital appreciation to buy them to the 4½ to 5 percent level of returns which most of the dividend paying shares are showing.

Trams remained in good demand with a large turnover; it is expected that when all the new scrip is disposed of by those wishing to take their profit the shares will advance appreciably.

There appears to be no end of capital influx into Hongkong and considerable amounts are waiting for investment in local shares. Enquiry from Shanghai is on the increase, many Shanghai capitalists—without intending to get their money out of China—believe in the soundness of the local share market and are attracted by the solidity of local trading and the stability of the Hongkong dollar. Although there are always some rumours popping up trying to discredit sterling and the HK\$, serious investors know perfectly well how unreasonable such rumours are and their eagerness to buy Hongkong shares testifies to the confidence which they have in the Colony and its money.

Seeing that the technical position in the local share market is very sound it is easy to predict the movement to higher levels of most if not all of the active shares.

#### Stock Exchange Daily Reports

Together with the daily quotations, published by the Committee of the H.K. Stock Exchange Ltd., a few lines, compiled by the Committee, go to the local daily newspapers which faithfully print them. We understand that some brokers are not quite agreeable to this practice; the daily share trading resume of about 50 words as appearing in the local daily newspapers is written by a member of the Committee and not, as it should be with the press of a large financial centre like Hongkong, reported by a member of the staff of the

## TRADE REPORTS

### HONGKONG EXPORT CONTROL ORDER 1947

The export of tung oil, tin and raw rubber has been restricted with effect from July 28. Exports are henceforth free only to countries of the sterling area, while exports to all other countries require an export licence.

Government had, with effect from June 9, restricted tung oil and tin exports to the U.S.A., Canada, the Philippines and a few Latin American countries (cf. our issue of May 28, pp. 34/5). As from July 1, exports of raw rubber were added to the Export Control Order.

The object of export control over tung oil was to enforce the surrender of 25 percent of export bills, the remaining 75 percent to be freely convertible by the exporters. Tin and rubber, being under world allocation as commodities in short supply, were added to the list not for purposes of increasing the funds of Hongkong's Exchange Control.

As many exporters attempted to evade the surrender of 25 percent of their export bills for tung oil shipped to the U.S. by falsely declaring the goods for Port Said and other ports, Government has now extended the export control as covering all non-sterling area countries.

The sterling area comprises: The British Commonwealth of Nations, excluding Canada and Newfoundland, its Mandates and Protectorates, Iraq, Transjordan, Iceland, the Faroe Islands. Exports to China and Macau are exempted from the provisions of the Export Control Order 1947.

newspapers. The daily trading summaries, apart from being uniform in all papers, give only the views of the Committee and show a tendency to overstate the volume of business done.

### HONGKONG & SHANGHAI HOTELS LTD.

The Accounts of the Company have just been released. The balance at credit of Profit and Loss Appropriation Account, including \$913,724, brought forward from the previous year and \$1,630,046 profit realised on sale of the property and goodwill of the Hongkong Hotel Garage, amount to \$4,016,352.

After deducting therefrom Reparation expenses incurred during the year of \$2,717,479 the unappropriated balance of \$1,298,873 remains, which will be apportioned as follows: dividend of \$1 per share on 1,193,867 shares, \$1,193,867; carry forward to new account, \$105,006.

The annual meeting of shareholders will be held on August 12.

### PROHIBITED EXPORTS ORDER 1946

The export of Cement is as from July 9 prohibited under the above Ordinance. Exports can only be made if an export licence is obtained from the Dept. Supplies, Trade & Industry. All prohibited exports were listed in our issue of June 18.

### TIN PLATE ALLOCATIONS

The fourth quarter tin plate allocation of 1947 provides for 250 tons to be allowed for Hongkong. China's allocation for the same period is 1,500 tons. Other allocations: Philippines 1,200, India 1,500, French Indochina 350, Turkey 800, and Middle East countries 1,150 tons.

Of all tin exports of Siam, under the British-U.S.-Siamese tin agreement, 50 percent are shipped to U.K. and 50 percent to U.S. America buys through the Reconstruction Finance Corp. The tin agreement has been recently extended until June 30, 1949.

### JAPANESE CLOTH

Hongkong Govt is distributing Japanese cloth (poplin) to registered householders in the Colony. There are 1,049,000 registered holders of rice tickets, and 214,975 registered households entitled to receive rationed commodities. Govt will distribute 2½ million yards of cloth, which was dyed in local factories, at prices from \$1.10 to \$2 per yard.

Japan has shipped to Siam a total of 12½ million yards of cloth, 8 million yards of which are being distributed to the public the rest being retained by the Siamese Govt for the use of officials and the army. A second Japanese shipment of 12 million yards of cloth is about to arrive in Bangkok. The total requirements of Siam are estimated at 35 million yards per year. Japanese mills can supply all the demands of the Siamese textile markets.

### SIAMESE TRADE RETURNS

The 1946 trade returns of Siam were published in our issue of June 18, page 92. While in December 1946 exports from Bangkok exceeded imports, the situation was reversed in January of this year. Total exports in January amounted only to 35,665.655 baht as compared to 62,714,192 baht in the preceding month.

Imports in January rose to 67,991.998 baht from the 43,446,719 baht of December.

Major export article in January continued to be rice with 405,554 piculs valued at 15,742,349 baht.

Other goods exported were 5,211,695 baht worth of teak, 1,395,321 baht other woods, 7,564 baht tin ore (40 piculs) and 780,691 baht rubber (201,503 kilos). In addition there were 12,359,798 baht worth of other goods not specified in the returns.

## COMMERCIAL MARKETS

## LOCAL EXPORT PRODUCE PRICES

Tung oil remained throughout July almost unchanged at \$118/120 per picul. The New York price was quoted nominally at 22 to 23½ US cents per lb.

Cassia oil \$950/1,000; Teaseed oil \$170/195; Aniseed oil \$260/300; Cocoanut oil \$131/134; Sesame oil \$240/270; Peanut oil \$190/215. The tendency on the vegetable oil markets is weak except for teaseed and cocoanut oil. Aniseed and sesame seed oil have dropped much during the latter part of July.

Cassia lignea sold at the end of the month \$30, Camphor powder about \$410, Bristles about \$400. (All prices per picul).

## China Produce Prices in New York

in US\$, per pound, as on July 26:	
CASSIA OIL .....	3.25/35
ANISEED OIL .....	0.70/85
ANTIMONY, 99½ percent	
grade in bulk of car-	
load lots .....	0.33
BRISTLES:	
Hankow, Regular	
Assortments .....	3.40 nominal
Chungking, Regular As-	
sortments .....	2.20 ..
Shanghai, Regular As-	
sortments .....	2.00 ..
Tientsin, short 55's ..	5.00
regular 55's ..	8.00
TUNG OIL, in tank cars, ..	
	0.22

General merchandise imported during January amounted to 60,385,362 baht. Beer, wine and spirits came to 447,255 baht and government imports 3,634,121 baht.

The import details reveal that for the first time since the war 3,531,260 baht worth of bullion and coins were brought legally into the country.

## RUBBER TRADE

Trade circles are confident that rubber prices will firm up during the next few months. The break in Malayan rubber prices of about 15 Straits cents since the earlier part of this year was caused by large releases of crude rubber held by the U.S. Govt. The progress made by and the control over the synthetic rubber industry in America, and the assumption of a rubber over-production. Other than American consumption will however exert now a strong influence on the price and, in effect, the slump is definitely over.

The 1947 production of natural rubber is estimated at about 1.2 million tons, synthetic rubber about 515,000 tons. Natural rubber stocks will be 140,000 tons higher than 1946 and synthetic rubber 70,000 tons lower.

The forward market in New York is active during the last few weeks, prices advance and turnover is brisk compared with the weeks following the resumption of rubber trading in U.S. End of July average quotations were between 17 to 18 US cents per pound for September delivery, and around 17 cents for Jan. 1948.

## OUTLOOK FOR TRADE WITH THE NETHERLANDS EAST INDIES

Last week's start of military action by the Dutch authorities is expected to result in a speedy resumption of trade between that part of the archipelago known as Indonesian Republic and the world at large. The long drawn out stalemate between the Netherlands Govt and a number of Indonesian politicians has greatly obstructed the rehabilitation of the islands and done much harm to the flow of trade both in the Far East and in other parts of the world.

While a good volume of trade is being conducted between the larger parts of the Netherlands Indies and other countries, economically vital regions in Java and Sumatra are practically closed off from foreign trade. This state of affairs is bound to undergo a change for the better.

Many Indonesian spokesmen have asserted in the past that great stocks of produce had accumulated in several parts of Java and Sumatra. It remains to be seen how far these claims were true and in what condition much of the produce will turn out to be. Transportation shortages will delay the early disposal of stocks in Indonesia.

The local financial markets reacted to the news of the rapid advance of Dutch troops and police forces and the apparent impotence of the Republican militia by appreciating the Netherlands Indies guilder by 40/50 percent, although fluctuations were strong so that a correct evaluation of the Nica guilder's present position is difficult.

Following is a review of stocks and production of the important raw materials and commodities which are and will be available in the Netherlands East Indies:—

**SUGAR:** Mostly produced in the central and eastern parts of Java; pre-war production 1.4 million tons per year; home consumption 400,000 tons. The Republicans claim that a huge amount of sugar is stored in the interior of Java in the warehouses of the mills. Even if political conditions allow immediate resumption of production, the first considerable crop will not be produced until 1939. With a home consumption of 400,000 tons per year, it means that for 1947, 1948 and 1949 about three times this volume is required to cover the home market. As it is doubtful whether this quantum is available, no sugar can be exported unless a guarantee could be given that sugar produced elsewhere will replace it if Java cannot produce enough.

**RUBBER:** In 1940 Indonesia exported 540,000 tons of rubber. Rubber is grown in Sumatra, Borneo and Java. Borneo has resumed its rubber trade but Sumatra can only begin production again if political conditions become more normal. There is reason to be optimistic about political conditions permitting the resumption of production in Java. The production of Borneo is not yet up to pre-war standard. Contracts with the United States means

that most of the Borneo rubber goes to that country; small allotments have been allowed for the rubber finishing industry in Holland. There is also an American tyre factory at Buitenzorg, Western Java, which has already resumed production and which, of course, requires raw material. It is unlikely that huge quantities of rubber will be available for export elsewhere unless the political sky clears up. The rubber industry in British Malaya has made a good recovery, partly due to the acquisition of rubber milling machinery from mills in Sumatra. This machinery was smuggled into Malaya with the co-operation of Chinese and Republican authorities. It is expected that the shortage of rubber will be over at the end of this year. A considerable fall in price can be expected and it is therefore quite questionable whether the Indonesian rubber industry which is now without portion of its milling facilities, will ever recover its pre-war standard. It is already quite clear that the reason why the Netherlands Government stopped this smuggling of the rubber machinery out of the country is an authentic one. It was to protect the Indonesian rubber plantations, which cannot produce without milling machinery.

**TEA:** The Republicans claim that considerable stocks of processed tea are stored in the interior of Sumatra and Java. For export purposes the value of this statement must be considered under the following:

(a) Is the statement true. (b) How much of the tea claimed to be stored is still in good condition: Poor maintenance of the warehouses might have a detrimental effect on the tea. If properly stored it can be kept for quite a considerable time. (c) If political conditions permit reaching the warehouses, is it technically possible to transport the stored tea to the coastal harbours? The roads are in very bad repair and there is a shortage of trucks and other transport facilities. (d) Will there be enough labour to tackle the problem of transporting and shipping? In Sumatra especially, most labour is worked under contract and was immigrated from Java. According to reports the physical condition of these labourers is very bad because they did not grow their own foodstuffs in sufficient quantities when the usual importation of rice and other food products was interrupted after the Japanese capitulation. The resumption of production depends on favourable political conditions, the condition of the process factories and the condition of the plantations. For Sumatra again, provision of labour is important.

**MINERAL OILS:** Oil is produced in different parts of the archipelago. It depends on how speedily the refineries can be rebuilt, how soon Indonesia can again export refined oil products. The Borneo wells produce crude oils at the moment.

**VEGETABLE OILS and FATS:** Copra production, concentrated in Celebes and the eastern part of the archipelago will reach pre-war production during this year. Apart from local consumption, export takes place to different destinations. A considerable quantity goes to Europe to alleviate the shortage of fats there. Palm oil is produced in Sumatra. The production of the exportable product depends on the condition in which the extraction mills are now.

**FIBRES:** Kapok is produced mainly in central and eastern Java. The Republicans say that considerable stocks of kapok are awaiting export. The bottleneck in exportation however is again a technical issue. Kapok has to be pressed in bales under huge mechanical presses. There is an acute shortage of these presses, most of them having been demolished or destroyed by the Japanese. Another fibre which is produced in Java and Sumatra is sisal. Republican sources claim that considerable stocks of this fibre are also available for export.

**QUININE:** The quinine estates in the surroundings of Bandoeng, West-Java, seem to be in good order. A quinine factory in Bandoeng has been considerably damaged during the revolution, but if this factory is repaired production and exportation of quinine can be resumed shortly.

**SPICES:** Nutmeg, cloves, pepper, vanilla, cinnamon are mainly produced in areas where conditions have returned to normal (the Moluccas, Banka and Billiton).

**RESINS:** A number of specific resins used in the paint and varnish industries are produced in Borneo and the eastern part of the archipelago.

**TIMBER:** The timber position must be regarded with less optimism. Although the archipelago has numerous forests, good timber is found in restricted areas only. The well-known light teak (djati) forests in Java have been badly damaged by the Japanese. The role forests play in the soil protection scheme and the fact that the Japanese cut down the older trees, makes it likely that apart from political conditions, exportation of teak cannot be resumed immediately. The reconstruction scheme in Indonesia proper requires an enormous quantity of timber, as does the reconstruction work in Holland. The opening up of forests in areas such as Sumatra and Borneo require technical material which is very hard to obtain. It is therefore questionable whether it will be possible to export timber from Indonesia in considerable quantities in the near future.

**TOBACCO:** Republican tobacco-production seems to be rather extensive. The cigarette factories in Sourabaya and Batavia produce at the moment over 100 million cigarettes per day. They do not work on full capacity yet, but it must be considered as a possibility that exportation in the future comes within the picture.

## FAR EASTERN ECONOMIC REVIEW

## VEGETABLE OIL MARKETS

### TUNG OIL EXPORTS

Total imports into Hongkong of tung (China wood) oil for the period January to June 1947 aggregated 312,831 piculs, and total exports from Hongkong for the same period amounted to 324,780 piculs. The monthly averages of tung oil imports and exports were respectively 52,000 and 54,000 piculs. The balance between imports and exports of some 2,000 piculs per month is mostly accounted for by local consumption.

Tung oil imports for Jan./June 1947 valued \$57.1 million, or about \$180 to 190 per picul on the average; exports valued \$65 million or over \$200 per picul for the six month average.

The U.S. were our main buyer, taking 209,688 piculs or 65 percent of total exports. The U.K. with 12 percent of the total exports or 38,463 piculs was Hongkong's second best customer, followed by Sweden with 18,296 piculs or 5 percent, Holland with 14,470 piculs or 4½ percent, Australia with 14,802 piculs or 4½ percent, and France with 10,516 piculs or over 3 percent of the total exports.

### TEASEED OIL EXPORTS

The shortage of table oils in Europe has accelerated exports of teased oil from China, a very large part of this oil being shipped from Hongkong. Teased oil has been found to be a good substitute for olive oil if properly refined. European customers have come to appreciate teased oil for all purposes where olive oil was and is being used. The outlook for an increase in teased oil exports is very promising and a number of enterprising merchants here have correctly evaluated the prospects in this trade.

Total imports during Jan./June 1947 aggregated 78,516 piculs, valued \$11½ million, and total exports for the same period were 54,505 piculs, valued \$10.7 million.

About 57 percent of all exports, valued \$6,073,000, went to the U.S. The other leading buyers were: Italy for \$2,095,000 or 20 percent, Spain for \$1,206,000 or 11½ percent, Holland for \$662,000 or 6 percent, and U.K. for \$436,000 or 4 percent of total teased oil exports for Jan./June 1947.

### VEGETABLE OILS ON THE LOCAL MARKET

Vegetable oils are traded here in second hand drums of about 415 pounds net. Vegetable tallow is sold in gunny bags of 112 lbs each, 20 bags to a ton. Cakes and Meals are packed in gunny bags, 14 bags, to one ton. Vegetable Seeds and Beans are traded in gunny bags of about 200 lbs net, usually 12 or 14 bags to one ton.

The following vegetable oils are traded in the local market:—

**CASTOR OIL.** Imported usually from Indochina, only little being shipped here from China. Used in the paint manufacture and pharmaceutical industry. In the U.S. castor oil is being dehydrated and used in the paint & varnish industry, many buyers preferring it to tung oil.

**COTTONSEED OIL.** Mostly produced in Kiangsu and Chekiang, and used, after refining, as a cooking oil.

**LINSEED OIL.** This inedible oil, used in the paint and varnish industry, is mainly produced in Hopei.

**PEANUT OIL.** Also known as Groundnut or Earthnut oil comes mainly from Shanghai (80 percent), Hopei and Manchuria.

**PERILLA OIL.** Manchuria produces this inedible oil which is regarded as equal in quality with tung oil.

**RAPESEED OIL.** Also known as Colza oil, this oil after refining has recently won more attention abroad as a substitute for olive oil. Kiangsu, Chekiang and Hunan are the main producing provinces.

**SESAME OIL.** (Sesamum seed oil). Hankow is the chief trading centre for this edible oil which is also used by the pharmaceutical industry (basis for oily injections etc.).

**SOY (SOYA) BEAN OIL.** Since Manchuria, the main producing area, is largely under Communist control, and Shantung, where the rest (about 10 percent) is produced, changes its masters week after week, there is no steady supply possible of this edible oil, also used in the manufacture of sauces.

**STILLINGIA OIL.** Largely used in the adulteration of tung oil, it is otherwise taken up by paint and varnish makers.

**SUNFLOWERSEED OIL.** This edible oil comes chiefly from Kiangsu.

**TEASEED (TEA) OIL.** Sometimes dubbed China's olive oil, this produce has nothing to do with tea although it is oddly called as if it was expressed from tea leaves. Much olive oil has been adulterated with teased oil. Chekiang, Kwangsi and Hunan are the main producing provinces.

**TUNG OIL (China Wood Oil).** It is traded here in at least 3 to 4 grades according to the lower or higher state of refining.

The following vegetable seeds and meals are traded here:—

**SESAME SEED** (or Chinese Gingelly seed), **COTTONSEED CAKES & MEALS**, (mostly used as fertiliser), **SESAMESEED CAKES & MEAL** (a good cattle feed).

Chinese Vegetable Tallow (for soap-making), Chinese Wax (or Insect Wax) and Lacquer Wax (called also Japan Wax, used by the varnish and lacquer makers) are also regularly traded in the local market.

#### CONDITIONS IN THE VEGETABLE OIL MARKETS

Practically all vegetable oils in the local market are imported from China. Cocoanut oil is the only important exception, it is being shipped here mainly from Malaya and Siam. There are no special restrictions enforced in China regarding the export of these oils apart from the regulation which requires exporters to surrender their export bills to the Chinese Govt; however, the Govt is promoting a monopolistic policy which aims at the control of production, distribution and foreign sales of vegetable oils. For this purpose the China Vegetable Oil Corporation (CVOOC) is functioning both inside and outside of China, and recently the Central Trust of China, a subsidiary of the Central Bank of China, has resumed more actively the purchase of vegetable oils in China and the marketing of especially tung oil abroad.

In this policy the Chinese Govt has not found much support on the part of the producing and trading circles in China. A very large quantity of vegetable oils is leaving the country day after day without the corresponding export value having been surrendered to Chinese Govt banks. Many influential personages, some of them connected with provincial and military authorities, do not agree with the intended vegetable oil monopoly and engage in foreign trade directly. Competition between CVOOC and private traders in foreign markets has become keener during this year and the current trend of more efficient control of oil movements inside China, i.e. the intensification of Nanking Govt control over vegetable oil, indicates even stiffer competition.

During the first six months of this year CVOOC has been responsible for about 50 percent of both tung oil imports into and exports from Hongkong. However, much of tung and other vegetable oils which CVOOC exported from here were not transported by the Corporation out of China but had to be purchased in the local native oil market against payment in Hongkong dollars. The fact is that CVOOC could not obtain as much tung oil in Canton as the so-called smugglers did, and being anxious to obtain still larger amounts of US dollars in New York, they purchased so-called smuggled oil from dealers and merchants in the local native market.

The local oil market is situated in Bonham Strand, West, called also "Nam Pak Hong", a market where many years ago practically all the rice and medicine merchants traded. There are now some 30 vegetable oil dealers in this native market, the

## HONGKONG'S VEGETABLE OIL TRADE

#### IMPORTS INTO & EXPORTS FROM HONGKONG FOR JANUARY TO JUNE 1947

Description	Imports		Exports	
	Piculs	Value	Piculs	Value
Cassia oil	216	\$249,159	319	\$375,537
Aniseed oil	1,966	821,873	2,928	1,375,315
Cocoanut oil	104,988	11,146,430	130,294	13,120,716
Teased oil	78,516	11,585,312	54,505	10,733,267
Wood oil (in drums)	311,478	57,068,750	157,086	29,905,132
Wood oil (in bulk)	1,353	184,130	167,694	35,433,737
Total	498,517	\$81,055,654	512,826	90,943,704

largest hongs being Chuen Lee, Yuk Hing Cheong, Chee Cheong, Tai Hing and Hing Zung Lung.

The stock of vegetable oils held by dealers and exporters as at the end of July is estimated as follows:—about 3,000 tons of tung oil, 300 tons of cocoanut oil, 400 tons of teased oil, 500 drums (of abt. 420 lbs each) of aniseed oil, and some 80 drums of cassia oil. Most of these oils are to be shipped abroad, to be replaced by new imports from China, Malaya, Siam etc.

#### Quotations in China and Hongkong

Mid-July prices of tung oil in South China were CN\$540,000 in Wuchow (the trading centre of Kwangsi), CN\$550,000 in Luchow, \$510,000 in Nanning. Teased oil was quoted CN\$840,000 in Wuchow, CN\$770,000 in Luchow and Nanning. (All prices per picul of 133-1/3 lbs).

The Central Trust of China has promulgated a ceiling price of CN\$520,000 for the purchase of tung oil in Canton. The local market price is around HK\$120, i.e. at least 50/60 percent higher than the official Canton price. Under such conditions only few traders in Canton can be expected to sell to the Central Trust.

Provided that the Central Trust would offer a similar price to the one prevailing in the Hongkong market, a large number of traders would prefer to sell to Central Trust with the exception of those merchants only who require foreign exchange abroad for financing of their imports into China.

It is unfortunately always the same story with Govt purchases and the imposition of monopolies: the farmers, oil mills, traders do not receive from Govt the real value of their produce, with Govt pocketing the difference between the price paid for tung oil in China and the price obtained abroad in foreign exchange as some sort of profit, a profit made at the sole expense of the people concerned in the trade.

Following are monthly average prices in the local market for tung oil, cocoanut oil, teased oil, aniseed oil, and cassia oil:—

Tung Oil: \$206 per picul in January, \$223 in February, \$227 in March, \$186 in April, \$149 in May and \$123 in June;

Cocoanut Oil: \$77 in Jan., \$105 in Feb., \$101 in March, \$124 in April, \$133 in May and \$127 in June;

Teased Oil: \$170 in Jan., \$186 in Feb., \$180 in March, \$178 in April, \$177 in May and \$176 in June;

Aniseed Oil: \$457 in Jan., \$474 in Feb., \$464 in March, \$407 in April, \$347 in May and \$289 in June;

Cassia Oil: \$1,326 in Jan., \$1,463 in Feb., \$1,550 in March, \$1,411 in April, \$1,227 in May and \$996 in June.

#### Complaints from Shanghai

The Shanghai Wood Oil and Ramie Guild has opposed the intention of the Chinese Govt to monopolise the trade in tung oil. However, it is clear that the Govt, seeing that tung oil has been responsible in 1947 for the highest foreign exchange returns of all China produce, desires to re-institute the full monopoly as has been the case during the war years.

The chairman of the guild recently stated in Shanghai: "The Central Trust has pegged the price of wood oil purchases in Shanghai at CN\$580,000 per picul, while sellers are quoting \$660,000. This has aroused deep concern on the part of wood oil dealers and exporters, who suspect that the Government agency intends to cut prices and thus eliminate all private, experienced businessmen from the market, thus gathering all profits in one bag."

The Central Trust is paying \$545,000 per picul in Hankow, equivalent to \$660,000 ex godown in Shanghai after adding shipping charges, coolie hire, leakage, etc.

The original report, authorizing the Central Trust to handle purchases and sales of wood oil declared that prices and quantities to be bought and sold shall be determined from day to day by a committee set up by the Central Trust."

## TUNG (WOOD) OIL IN DRUMS

Imports and exports for Jan. to June 1947:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	45,069	\$9,124,505	29,323	\$5,716,898
February	56,356	11,437,808	12,356	2,683,846
March	69,897	13,884,415	32,224	6,754,443
April	54,320	10,715,418	30,483	6,556,821
May	48,762	6,766,817	10,122	1,844,764
June	37,074	5,139,787	42,578	6,348,360
Total	311,478	\$57,068,750	157,086	\$29,905,132

Imports of Wood Oil in drums for Jan./June 1947: By Countries:—

	Piculs	Value
China, Middle	155	\$24,320
China, North	1,790	186,950
China, South	308,524	56,736,433
Kwangchowwan	64	13,070
Indochina	24	4,720
Macao	288	48,257
Siam	633	55,000
	311,478	\$57,068,750

Exports of Wood Oil in drums for Jan./June 1947: By Countries:—

	Piculs	Value
South China	23	\$4,500
Macao	1,817	372,697
Siam	234	30,576
Australia	14,802	2,870,259
Malaya	603	120,558
New Zealand	1,468	285,837
France	10,516	2,010,985
Portugal	168	34,440
Sweden	18,296	3,013,108
U.S.A.	52,936	9,917,252
United Kingdom	38,466	7,921,582
N. Borneo	14	2,545
India	907	162,612
S. Africa	1,932	415,001
Belgium	5,055	971,430
Italy	2,167	425,784
Norway	3,477	465,639
Holland	3,528	746,160
Burma	32	6,779
Other Brit. Empire	135	22,377
Spain	33	3,969
Canada	393	83,002
Others	84	18,000
Total	157,086	\$29,905,132

## TUNG (WOOD) OIL IN BULK

Imports and exports for Jan. to June 1947:—

Months	Exports	
	Piculs	Value
January	44,633	\$8,528,766
February	29,919	6,549,912
March	19,209	5,483,280
April	13,798	2,789,564
May	46,368	10,013,183
June	13,767	2,069,032
Total	167,694	\$35,433,737

Imports of Tung Oil in bulk for the first six months amounted to 1,353 piculs, valued \$184,130, all arriving in May, from South China.

Exports of Tung Oil in bulk for the first six months left for U.S.A. 156,752 piculs, \$33,225,377; and for Holland 10,942 piculs, \$2,208,360.

## CASSIA OIL

Imports and Exports for Jan. to June 1947:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	30	\$32,585	166	\$184,023
February	26	31,500	40	52,471
March	117	143,640	32	36,693
April	24	24,000	3	3,446
May	—	—	61	81,474
June	19	17,434	17	17,430
Total	216	\$249,159	319	\$375,537

## TEASEED OIL

Imports and exports for Jan. to June 1947:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	—	—	970	\$199,912
February	5,722	\$1,076,515	1,985	331,844
March	3,753	633,375	3,052	478,825
April	14,347	2,055,863	6,443	1,086,274
May	28,431	4,399,856	30,515	5,880,845
June	26,263	3,419,703	11,540	2,755,567
Total	78,516	\$11,585,312	54,505	\$10,733,267

## COCOANUT OIL

Imports and exports for Jan. to June 1947:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	7,811	\$651,584	15,820	\$1,149,124
February	20,313	1,795,030	16,139	1,584,836
March	22,356	2,245,680	24,473	2,275,165
April	10,911	1,147,330	21,230	2,077,945
May	24,371	2,969,275	28,981	3,111,563
June	19,226	2,337,531	23,651	2,922,083
Total	104,988	\$11,146,430	130,294	\$13,120,716

## ANISEED OIL

Imports and exports for Jan. to June 1947:—

Months	Imports		Exports	
	Piculs	Value	Piculs	Value
January	712	\$309,382	623	\$305,733
February	599	277,396	522	229,877
March	147	54,111	528	261,945
April	21	9,980	218	123,095
May	474	166,615	917	408,513
June	13	4,389	120	46,152
Total	1,966	\$821,873	2,928	\$1,375,315

## ANISEED OIL

Exports: By Countries		
	Piculs	Value
India	61	\$33,510
S. Africa	20	8,910
Belgium	381	177,652
France	925	486,977
Holland	198	96,929
Italy	49	26,997
Norway	7	2,536
U.S.A.	545	244,515
United Kingdom	83	35,893
Australia	86	39,144
New Zealand	6	3,609
Egypt	9	4,897
Sweden	531	200,340
Burma	4	1,709
Denmark	3	1,181
S. America	4	2,720
Others	16	7,796
Total	2,928	\$1,375,315

## COCOANUT OIL

Exports: By Countries		
	Piculs	Value
India	118	\$9,126
Belgium	18,083	1,843,517
North China	24,856	2,189,436
Middle China	9,588	1,002,734
South China	26,115	2,714,315
Egypt	6,682	767,240
Italy	25,804	2,662,245
Macao	1,259	115,826
Philippines	1,680	125,300
Holland	7,118	763,247
U.S.A.	1,230	110,400
Canada	5,041	503,197
S. Africa	1,616	164,220
Other Brit. Empire	1,194	149,913
Total	130,294	\$13,120,716

## CASSIA OIL

Exports: By Countries		
	Piculs	Value
United Kingdom	47	\$51,500
India	17	13,051
U.S.A.	235	288,209
New Zealand	5	6,463
France	9	11,207
Australia	4	3,581
Burma	2	1,526
Total	319	\$375,537

Imports of Cassia Oil arrived here from South China 175 piculs, valued \$206,274; and from Macao 41 piculs, valued \$42,885.

## TEASEED OIL

Exports: By Countries:		
	Piculs	Value
U.S.A.	32,427	\$6,072,965
Burma	1	160
Malaya	5	795
United Kingdom	2,458	436,544
Italy	8,334	2,095,280
Spain	6,708	1,206,220
N. Borneo	1	270
Belgium	672	120,960
France	846	137,500
Holland	3,053	662,573
Total	54,505	\$10,733,267

Teased Oil imports for Jan./June came from South China; 78,504 piculs, \$11,583,295; and from Macao 12 piculs, \$2,017.

TUNG OIL, CASSIA OIL, TEASEED OIL,  
ANISEED OIL & COCOANUT OIL

## IMPORTS &amp; EXPORTS: BY COUNTRIES

Countries	Imports (From)		Exports (To)	
	Piculs	Value	Piculs	Value
United Kingdom	—	—	41,054	\$8,445,519
Australia	—	—	14,892	2,912,984
Burma	—	—	39	10,174
Canada	—	—	5,434	586,199
India	—	—	1,103	218,299
Malaya	33,785	\$3,004,472	608	121,353
New Zealand	—	—	1,479	295,909
North Borneo	4,588	534,796	15	2,815
South Africa	—	—	3,568	588,131
Other British Empire	—	—	1,239	172,290
Belgium	—	—	24,191	3,113,609
China, North	1,790	186,950	24,856	2,189,436
China, Middle	215	36,320	9,588	1,002,734
China, South	390,967	69,624,005	26,138	2,718,815
Denmark	—	—	3	1,181
Egypt	—	—	6,691	772,137
France	—	—	12,296	2,646,659
French Indo-China	24	4,720	—	—
Holland	—	—	24,839	4,477,269
Kwongchowwan	64	13,070	—	—
Macao	341	83,159	3,076	488,523
Norway	—	—	3,484	468,175
N.E. Indies	7,537	843,020	—	—
Philippines	—	—	1,680	125,300
Portugal	—	—	168	34,440
Siam	59,206	6,715,142	234	30,576
S. America	—	—	4	2,720
Sweden	—	—	18,827	3,213,448
Spain	—	—	6,741	1,210,189
U.S.A.	—	—	244,115	49,858,718
Italy	—	—	36,354	5,210,306
Others	—	—	100	25,796
Total	498,517	\$81,055,654	512,826	\$90,943,704

## SHIPPING REVIEW

### SHIPPING RETURNS OF CHINA

For the first four months of 1947 China's shipping returns aggregated for vessels entered from and cleared for abroad a tonnage of 5,268,830, to which was added the tonnage of Chinese junks of 449,578, making a grand total of 5,718,408 tons.

Shanghai's percentage in China's shipping for January to April 1947 was 57, revealing a considerable decline in the importance of Shanghai: during 1946 the returns showed Shanghai as practically monopolising China's shipping. Next in importance in 1947 is Kowloon which handled almost 10 percent of all China's tonnage, followed by Canton with over 7 percent and Swatow with over 6 percent of the total tonnage of China during Jan. April 1947. The rest of China's ports handled 43 percent of the total tonnage, the ports of

South China accounted for almost 36 percent, and the ports of North China accounted for 7 percent of the total tonnage.

#### Decline of North China Shipping

The civil war in North China and the domination of the Communists in Manchuria were responsible for the surprising decline in shipping of the 3 remaining ports of North China, viz Chinwangtao, Tientsin and Tsingtao. The port of Chefoo is held by the Communist authorities and the position of Lungkow and Weihai-wei has been unclear for some months past. The Chekiang ports of Ningpo and Wenchow do not show any trade as far as shipping returns are concerned.

Taiwan is figuring more conspicuously in the returns, showing 54 ships as having called on the 2 ports of the island (Taipéh and Tainan) and cleared for abroad, with a total tonnage of 157,000.

The comparatively pacified Southern part of China carries on, second to Shanghai, the bulk of China's trade. In relation to the rest of China, the southern provinces of Fukien and Kwangtung enjoy some measure of prosperity in trade.

#### Unrecorded Trade & Shipping Returns

It must be borne in mind that the statistics published below do not give the full picture of the foreign trade of China for Jan./April 1947; the large unrecorded trade which is carried on between abroad and

#### (I.) Chinese Shipping Returns BY PORTS

Port.	April 1947.						January-April 1947.					
	Total		Entered		Cleared		Total		Entered		Cleared	
	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.
Chinwangtao	15	58,108	11	40,538	4	17,570	42	161,671	25	92,674	17	68,997
Tientsin	11	43,784	5	22,772	6	21,011	40	122,215	19	55,896	21	66,319
Tsingtao	8	30,597	4	13,202	4	17,395	36	111,143	18	52,532	18	58,611
Shanghai	203	860,737	105	423,785	103	436,952	818	3,253,806	428	1,651,993	390	1,601,813
Foochow	7	15,667	2	5,395	5	10,272	32	51,675	14	25,383	18	26,292
Amoy	24	53,671	11	25,189	13	28,482	97	230,327	52	124,963	45	105,364
Taipeh	7	18,091	3	12,050	4	6,041	28	63,207	11	28,211	17	34,996
Tainan	1	1,606	—	—	1	1,606	26	94,016	13	44,469	13	49,547
Swatow	93	104,718	48	48,654	45	56,064	410	361,143	237	179,001	173	182,142
Canton	687	106,485	344	54,194	343	52,291	2,398	414,299	1,211	207,071	1,187	207,228
Kowloon	2,155	156,357	1,094	79,717	1,061	76,640	8,114	555,895	4,232	289,522	3,882	266,373
Lappa	1,332	55,235	676	28,790	656	26,445	5,044	187,628	2,584	98,001	2,460	89,627
Nanning	29	8,639	12	4,194	17	4,445	94	18,231	42	9,062	52	9,169
Luichow	19	30,478	10	15,748	9	14,730	97	93,152	51	48,512	46	44,640
Total	4,596	1,544,173	2,325	774,229	2,271	769,944	17,276	5,718,408	8,937	2,907,290	8,339	2,811,118

#### (II.) Chinese Shipping Returns BY FLAGS

Flag.	April 1947.						January-April 1947.					
	Total		Entered		Cleared		Total		Entered		Cleared	
	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.	No.	Tons.
American	140	446,532	72	233,430	68	213,102	523	1,786,903	275	926,034	248	860,869
British	228	381,822	111	187,739	117	194,083	779	1,459,413	393	736,821	386	722,592
Chinese (excl. Junks)	2,446	212,168	1,247	104,097	1,199	108,071	9,611	725,974	4,942	382,327	4,669	343,647
Chinese Junks	1,644	125,326	825	62,845	819	62,481	5,876	449,578	3,086	228,753	2,790	220,825
Danish	14	59,688	7	27,330	7	32,358	38	155,224	19	74,142	19	81,082
French	3	23,180	2	13,780	1	9,400	5	37,960	3	21,170	2	16,790
Italian	—	—	—	—	—	—	2	7,314	1	3,657	1	3,657
Japanese	10	31,389	6	16,906	4	14,483	49	116,335	25	81,195	24	85,140
Netherlands	12	51,394	6	26,548	6	24,846	44	206,819	22	105,367	22	101,452
Norwegian	42	73,488	22	40,033	20	33,455	157	315,067	78	155,696	79	159,371
Panamanian	14	54,660	8	27,924	6	26,736	42	152,442	21	74,271	21	78,171
Philippine	18	39,113	7	15,311	11	23,802	41	84,523	19	39,505	22	45,018
Portuguese	11	2,376	6	1,296	5	1,080	54	11,664	27	5,832	27	5,832
Swedish	7	25,663	3	11,139	4	14,524	25	80,504	11	35,350	14	45,154
U.S.S.R. (Russian)	4	8,616	2	4,308	2	4,308	12	26,050	6	13,025	6	13,025
Others	3	8,758	1	1,543	2	7,215	18	52,638	9	24,145	9	28,493
Total	4,596	1,544,173	2,325	774,229	2,271	769,944	17,276	5,718,408	8,937	2,907,290	8,339	2,811,118

every Chinese port, notably in North and Central China and not only as is popularly but erroneously believed in South China, is very often using large and small vessels which call on Chinese ports but do not register with the Chinese Customs. While a good many such ships have been operated by professional smugglers, a fair number of Chinese Navy vessels also participated in unrecorded trading.

#### Foreign Shipping

Foreign flags were responsible for 86 percent of shipping, with the U.S. flag leading during Jan./April 1947. American ships accounted for 33 percent of all shipping entering from and clearing for abroad, followed by British vessels with 28 percent of the total. The Chinese flag, excluding junks, accounted only for 13½ percent. European flags, other than U.K. and USSR, accounted for 15½ percent of all shipping, with the Norwegian and Netherlands ships being responsible for 6 and 4 percent respectively.

The Japanese flag has recently become more conspicuous in China; for Jan./April Japanese ships accounted for more than 3 percent of the total tonnage; all ships arrived from and left for Japan, 25 having entered and 24 cleared during the period.

#### Comparisons with Hongkong

The detailed Hongkong returns for April were published in our issue of May 21, p.31. For the period Jan./April 1947 Hongkong's shipping returns showed a total tonnage of 4,961,000, and for the month of April 1,353,886 tons. All China's shipping tonnage for Jan./April, excl. junks, amounted to 5,268,830, i.e. 6 percent more than Hongkong's returns for the same period. However, Shanghai's shipping returns for Jan./April, including junk traffic, amounting to 3,253,806 tons, showed 1,708,000 tons less than Hongkong's recorded tonnage.

Hongkong handled during the first four months of 1947 over 50 percent more tonnage than did the port of Shanghai.

Following are the shipping returns of China for the first four months of 1937 and for April 1947, for vessels entered from and cleared for abroad, both by Chinese ports and by nationality of the ships.

#### A SECOND PORT IN SIAM

Phuket Island, famous for its tin mines, has been opened as from end of July for ocean going ships. It will be, after Bangkok, the second port of Siam. The first call was made by a freighter of the Isthmian Line for whom the Borneo Co. Ltd. are agents in Siam. Four miles off the island a suitable anchorage was found and now arrangements are made for lighters to use a natural canal connecting the anchorage with the island. For a long time to come the new port will only be used to load tin and to discharge general cargo for use of the people in south Siam.

#### DE LA RAMA LINES

The De La Rama Steamship Co., Inc. a comparative newcomer to the China Coast is an old established Philippine shipping company with Head Office in Manila.

Originally the company operated an interisland ferry service between Panay and Negros in the Visayan Islands, this being subsequently augmented by a service between Manila and Iloilo. In 1931 the ms. "Pulupandan," constructed in Hong Kong, was placed on this ferry service. Five years later, the company ordered the construction of mv. "Don Esteban" to be closely followed by mv. "Don Isidro," both vessels being at that time the most up-to-date interisland vessels plying between Manila and the Southern Islands. Pre-war residents of Hong Kong will remember seeing these attractive white hulled vessels when they visited the Colony for their annual overhaul.

In 1939 the company entered the ocean trade with mv. "Dona Aurora," "Dona Aniceta," and "Dona Nati," fast modern freighters which were built in Italy. These vessels were placed on the New York berth for the carriage of Philippine sugar to the United States, also calling at Shanghai and Hong Kong. Gilman & Co. being appointed agents at the latter port.

With the outbreak of war in the Pacific, all 5 vessels were employed with the US Army, the "Don Esteban," "Don Isidro" and "Dona Aurora" being sunk by enemy action. The Head Office of the company in Manila was of necessity closed, but the direction of the company's affairs was taken over by its US offices which continued to operate the company's and other vessels for the duration of the war under the War Shipping Administration.

To-day the company operates the trans-Pacific service inaugurated before the war, in conjunction with the Swedish East Asiatic Co., a total of ten vessels serving both the Pacific and Atlantic Coasts of USA. The interisland service is again in full operation, being maintained by three modern coastal vessels purchased from the Canadian Government. The Company is still actively engaged in replacing war losses having recently purchased mv. "Dona Aurora" from the US Government. The Hong Kong office of the company has just completed its first year of operation.

#### MACKINNON MACKENZIE & CO.

Peninsular & Oriental Steam Navigation Co. (P & O), represented in Hongkong by Mackinnon Mackenzie & Co., have several of pre-war passenger vessels reconditioned as well as new vessels built. It is hoped that the first of reconditioned vessels, "Canton," will be in commission late September when she will commence running to the Far East. "Chusan," a 24,000 ton new vessel, is expected to be ready early in 1948. She is also intended for the Far Eastern trade.

British India Steam Navigation Co. hope to resume the service between

Calcutta and Japan in September. The service will be opened by "Sangola," a new passenger and cargo vessel. She will be followed by other vessels of a similar type.

The Eastern & Australian Steamship Co. are now operating a service between Australia and the Far East with 2 large fast vessels, the "Eastern" and the "Nellore." These 17½ knots ships carry 36 passengers each. The third vessel, "Nanking," will appear on the run next month. "Nanking" will not carry any passengers.

P & O suffered severe war losses and still have a number of their passenger vessels under full requisition.

#### WILLIAM HUNT & CO.

William Hunt & Co. are Hongkong agents of Salen-Skaugen Line operating bi-monthly service between Far Eastern and U.S. ports via Manila, Singapore, Penang, Saigon and Bangkok. The service is maintained at present by 5 ships—3 Swedish and 2 Norwegian. The Swedish ships are: "Christer Salen," "Stanley Salen" and "Dagmar Salen," the Norwegian: "Skaubo" and "Skauvann."

All the fleet employed on this line is new, no ship being older than 7 years, their tonnage being 9,000 tons and cargo capacity—8,000 tons. With speed reaching 14-15 knots per hour and equipped with radar, these freighters are up-to-date in every detail and in addition to dry cargo can carry bulk cargo in deep tanks. "Skaubo" contains an air-cooled hatch. All ships have cabin class accommodation for 7-12 passengers.

The Company is planning to extend service this autumn, when two new ships—one Swedish and one Norwegian will join their fleet.

#### WALLEM & CO.

Established in 1925 as shipowners and steamship agents, this Norwegian Company are acting as agents for Ivaran Far East cargo line, operating regular New York-Far East service; as Hongkong agents for Waterman s.s. Corporation with monthly services between Atlantic ports and Far East; as agents for the British Stan Line; as agents for San Francisco-Trinidad tanker service; and as representatives of the Norwegian Airlines operating frequent passenger flights between Hongkong and Europe with Oslo as a terminal airport.

The Company possessed 17 vessels sailing under Norwegian flag before the war, but suffered very heavy war losses, with the result that there are at present only 2 ships on the Far Eastern route, several new ones being under construction. These ships are not run on a regular schedule but only when sufficient inducement. On the whole, cargo space is reasonably well booked, although less cargo is carried to Hongkong compared to other ports. Cabin passages—12 on each ship—are always booked in advance.

Wallem & Co. are looking after the Soviet ships during their time of call at Hongkong but otherwise entertain no interest in Soviet shipping.